



John Parry
President & CEO

October 8, 2007

RFP Proposal for IUSF Administrator
c/o General Counsel Scott Storms
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500E
Indianapolis, IN 46204

Re: Request for Proposals for Administrator of the Indiana Universal Service Fund (Cause No. 42144)

Dear Mr. Storms:

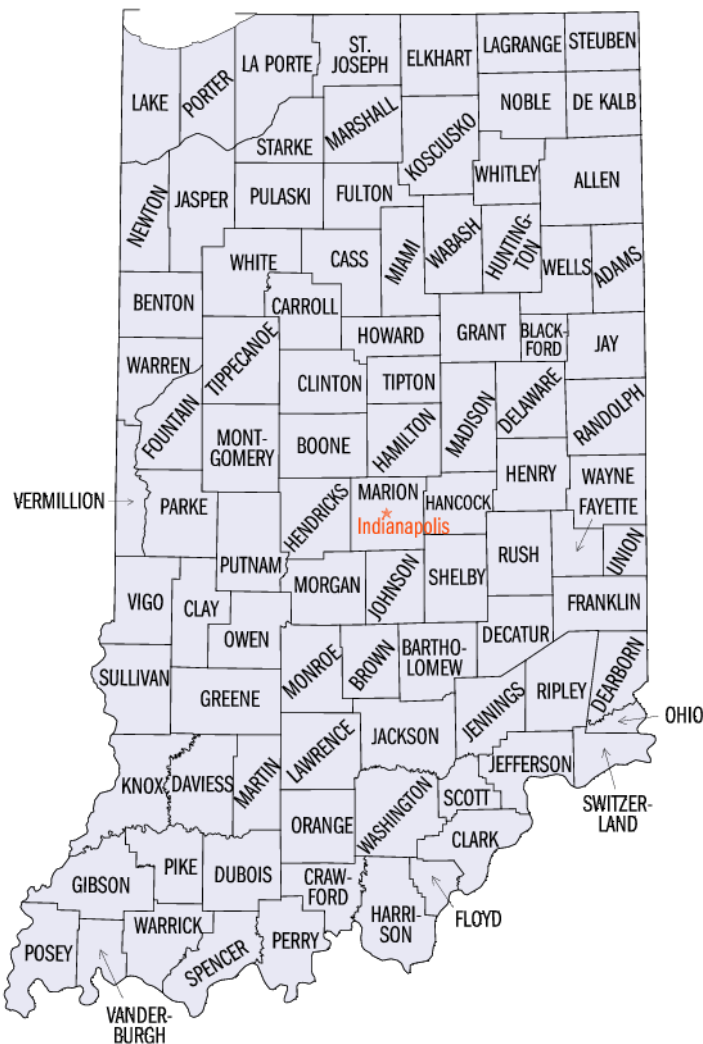
I enclose one original, three copies, and one CD-ROM of Solix Inc.'s Proposal to Administer the Indiana Universal Service Fund (IUSF). We are confident that we can administer the IUSF in a highly professional manner and at very reasonable cost. If you have any questions or comments about our Proposal, please contact Jeff Schnur, Director – Business Development, at (973) 581-5246.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Parry", is written below the "Sincerely," text.



Proposal to Serve as Administrator of the Indiana Universal Service Fund



October 8, 2007



**Proposal to Serve as Administrator of the
Indiana Universal Service Fund**

Submitted to:

RFP Proposal for IUSF Administrator
c/o General Counsel Scott Storms
Indiana Utility Regulatory Commission
101 West Washington Street
Suite 1500E
Indianapolis, IN 46204

Proposing Organization:

Solix Inc.
100 S. Jefferson Road
P.O. Box 902
Whippany, NJ 07981
President & CEO: John C. Parry
Phone: (973) 581-5353

Federal ID Number:

22-3741663

*Contact (and Proposal
Prepared by):*

Jeff Schnur
Director – Corporate Development
Phone: (973) 581-5246
E mail: jschnur@solixinc.com

Contract Duration:

December 14, 2007 – December 31, 2009

Date Submitted:

October 8, 2007

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Solix Inc.
Proposal to Serve as Administrator of the
Indiana Universal Service Fund

SECTION 1 - STATEMENT OF EXPECTED ACTIVITY

As Administrator of the Indiana Universal Service Fund ("IUSF" or "fund"), Solix will be responsible for all aspects of fund administration, including establishing an assessment rate; identifying and supplying information to providers (i.e. contributing carriers); establishing a reporting schedule for, and collecting data and revenue from, providers; conducting collection activities, imposing late charges, and reporting on delinquencies to the Commission; disbursing funds to eligible carriers; taking steps to resolve provider disputes regarding the amount of their contributions; and maintaining fund-related data in a database that Solix, as Interim Administrator, will have developed for the IUSF.

As Administrator, Solix will also invest the fund's cash resources; track fund activity; take steps to ensure that the fund will maintain a positive balance; and provide monthly reports, an annual financial statement, and an annual report to the Indiana Utility Regulatory Commission ("URC" or "Commission") In addition, Solix will monitor regulatory proceedings and legislative activity that may impact the fund, and, as necessary, participate in conferences, hearings, and proceedings, and prepare written reports, testimony, advice, and analysis.

As evidenced by our successful administration of USFs in many other states, Solix adeptly translates statutes, rules, and requirements into functioning systems and operational procedures that achieve fund objectives while satisfying budgetary constraints. Our in-depth understanding of procedures and processes, along with our customer-focused interaction with fund participants, uniquely position Solix as a capable and experienced business partner for the URC.

SECTION 2 - WORK SUMMARY

As IUSF Administrator, Solix will provide an information package to all current fund participants, as well as those identified in the future, to explain the background and requirements of the IUSF and the process for submitting information and remitting fund assessments and receiving fund payments. Solix will give providers detailed instructions for completing the IUSF remittance worksheet and submitting necessary information. Solix will update the information package as needed to provide timely and pertinent fund information, including any IUSF procedural changes or revisions to the surcharge percentage (assessment factor).

Solix will act as an agent of the URC to ensure that carriers comply with the fund's reporting and submission requirements. Solix will provide written and verbal communications to fund participants to ensure a clear understanding of processes and procedures. IUSF participants will have access to a dedicated website that will contain copies of applicable statutes and rules to help ensure clear and consistent communications with carriers.¹ The website will also include a link to Solix's proprietary "Members Only" online data collection tool, which will provide carriers with a secure and efficient means of reporting data and retrieving historical submissions. As questions arise regarding IUSF obligations, Solix will work with fund participants to ensure a clear understanding of the processes, and will document significant explanations or interpretations provided. Solix will maintain a summary of such interpretations, which we provide to the Commission, to ensure proper application of Commission policy objectives. Solix will document its efforts to identify obligated carriers, to collect IUSF assessments due, and to verify the mathematical accuracy and historical reasonableness of carrier contributions, and we will provide reports detailing such activities to the URC upon request.

In the event that Solix's attempts to provide clarifying information to a provider does not result in compliance with fund requirements, or if a carrier questions its obligation or level of contributions, Solix will make reasonable efforts to resolve the

¹ Solix will work closely with the URC to build out the IUSF site with useful informational sections, and internal and external links. We will develop the site for ease-of-use and intelligent navigation.

dispute with the carrier. Solix will employ internal problem escalation procedures and document all relevant correspondence and actions taken. In the event that Solix is unable to resolve the dispute, we will provide a report of our actions and findings to the URC. After submitting such report, Solix will continue to work with the challenging party and the URC to reach a resolution that satisfies the requirements of the fund and the guidance provided by the Commission. In the same vein, if the dispute arose from the application of late payment charges upon an IUSF provider, Solix will provide written documentation for the application of a late charge and any subsequent collection activities.

Solix will file monthly IUSF status reports detailing fund collections, disbursements, late payment charges, investment earnings, and current fund balance. These reports will show disbursements by recipient and also identify any carriers that are delinquent in reporting or contributing to the IUSF. Carriers will receive IUSF disbursements only as authorized by the URC.

Solix staff will use the monthly fund performance reports and other available data to determine the adequacy of fund collections and the level of disbursements in order to project future cash flows and the ongoing financial viability of the fund. Solix personnel will inform the URC should we identify potential cash flow shortages, and we will recommend options to the Commission to alleviate any shortfalls while minimizing the impact on fund recipients.

As part of our normal managerial duties, Solix will monitor the operational results of the IUSF and document any significant process improvements for discussion with URC staff. Solix will convey identified improvements through normal communications with the URC, and we stand ready to formalize recommended modifications to IUSF policies or procedures. Further, at the request of the URC, Solix IUSF staff will submit formal reports or filings regarding operational issues and results, or provide corresponding written or oral testimony.

Solix will calculate no less than annually a surcharge percentage (or assessment factor) to be applied to providers' intrastate retail telecommunications service revenues. The surcharge percentage will be calculated to provide sufficient funds to maintain the IUSF and to ensure that the fund does not operate at a deficit. At the same time, Solix

will not lose sight of the fact that Indiana carriers, and ultimately Indiana consumers, bear the cost of such assessments and, therefore, the funding level must be set at an adequate but not excessive level. If requested, Solix will provide its recommended surcharge percentage calculations and analyses to the URC, or provide written or oral testimony to support such recommendations.

To enhance our true partnering relationship with the URC and the Oversight Committee ("OC"), Solix staff will monitor relevant state and federal regulatory proceedings, state and federal proposed or enacted legislation, rulemakings, and other regulatory actions that will, or may, impact the IUSF. As a matter of course, Solix will review and analyze filings and Orders filed in Cause No. 42144, or other identified causes related to the IUSF. Solix staff will also participate in technical conferences, hearings, or other URC proceedings that affect the IUSF and, as requested by the URC, attend on-site meetings or hearings and file recommendations or testimony to support administrative recommendations or proposed modifications to the IUSF.

Solix will monitor federal and state regulatory proceedings and legislative activity that may affect the IUSF. Solix will also use its experience gleaned in administering 14 other state funding mechanisms to convey relevant "lessons learned" to the URC. The different approaches used by states to implement federal requirements or to address state-specific issues can provide valuable insights regarding policies or techniques that have or have not worked well in other areas.

Solix will provide all the required formal reports described in the RFP. As requested by the URC, Solix will provide additional reports and analyses, including the filing of testimony, participation in Commission or legislative proceedings, or presenting testimony at legislative or Commission hearings.

The IUSF was designed to achieve multiple policy objectives, including combining the Indiana High Cost Fund and the state's Transitional DEM Weighting Fund into one funding mechanism while accounting for the impacts of intrastate access revenue losses and the rebalancing of rates to meet state benchmark levels. As such, there are numerous variables that could affect the IUSF's structure or size in the future. As an example, since the URC has a long-standing policy of mirroring interstate and intrastate access rate structures and charges, the ongoing review of the federal intercarrier

compensation regime may ultimately impact intrastate access revenues and, therefore, IUSF funding levels. In order to stay abreast of such potential impacts, Solix will monitor federal and state proceedings related to intercarrier compensation or access charge reform, with a focus on potential impacts on the IUSF.

Examples of other relevant proceedings that will be monitored by Solix include the pending reform of the federal universal service mechanism and potential revisions to the Telecommunications Act. Since the IUSF was designed to work in conjunction with federal universal service policy objectives, the outcomes of these proceedings may lead to logical revisions in the structure, rules, or policies that guide the IUSF. Solix staff will also monitor Cause No. 40785, or subsequent causes, intended to determine whether or not additional Lifeline/LinkUp support should be established for low income customers in Indiana as a component of the IUSF. Solix will track and analyze relevant proceedings, identify potential ramifications on the IUSF, quantify the effects to the extent possible, and recommend appropriate actions.

As stated above, Solix will file monthly status reports. On or before February 15 of each year, Solix will provide the URC with an IUSF Annual Report detailing the prior calendar year's activity, including but not limited to the number of IUSF participants, total fund collections and disbursements, and other relevant fund statistics or recommendations for modifications. Solix also has extensive experience in interfacing with both internal and external auditors. On or before March 1 of each year, Solix will submit unaudited annual IUSF financial statements to the URC.

SECTION 3 - PRELIMINARY WORK PLAN

3.1 Administration of the USF

3.101 Identification of Participants

Solix will make every reasonable effort to identify providers who are subject to IUSF contributions, that is, all telecommunications carriers that provide intrastate retail telecommunications service in Indiana. Sources for this information include the list of providers maintained on the URC's website, URC staff, and the FCC 499-A search form, located at <http://fjallfoss.fcc.gov/cib/form499/499a.cfm>. Solix's IUSF staff will continue to check these and any other useful sources periodically for updated information.

3.102 Provider Compliance / Clarification to Providers

Solix's "Members Only" online data collection tool (see Section 3.117) will enable providers to update their contact information, and allow eligible recipients to update their banking information online over the Web. A screenshot of the Members Only worksheet interface is contained in Appendix 1. Solix will host a password-protected website for IUSF providers that will include a link to Members Only and to all material included in the IUSF information package (see Section 3.103).

Solix staff will be responsive to all provider inquiries and requests. Our policy is to return phone calls within 24 hours, at which time Solix staff, if necessary, will indicate how much time will be required to fulfill a request or answer a question. Solix personnel will summarize every significant telephone conversation and all written communications with providers; we will also digitize all provider correspondence for easy access and security.

Solix's primary means of explaining IUSF practices, procedures, and purpose to providers will be through the information packages (described below). Solix will also respond quickly to all requests for explanation and clarification in these matters in accordance with URC orders, entries, rules, and Indiana statutes. As is required by the Commission, Solix will maintain a record of written and oral interpretations of such orders, entries, rules, and statutes in a binder, and we will send copies of additions to the record to the Commission no more than 10 days from the time we provide an interpretation. Solix will seek guidance from the Commission on policy matters, as

necessary. Should Solix determine that a revision of rules may be necessary to resolve a question, we will so recommend to the Commission.

3.103 Information Packages

As Interim Administrator, Solix will assemble and develop materials for an information package that we will be sending to every provider. Packages will include a letter introducing Solix; copies of applicable statutes and the IUSF rules; a link to, and screenshot of, the Members Only IUSF worksheet; detailed instructions and schedule for completing the worksheet and remitting payments; and a list of Solix IUSF staff contacts, with phone and fax numbers, and addresses. Solix staff will also send a package to each new provider, and upon request.

3.104 Revenues

As is the case with all state Universal Service funds we manage, the IUSF database and financial system will have the capability of reporting the details of providers' Indiana retail telecommunications service revenues for any time period. As stated in the RFP, Solix will provide the Commission with such a report for the preceding calendar year by May 30 of each year.

3.105 Remittance Worksheet

Solix will provide a monthly account statement to all providers with a non-zero balance. This statement will include past activity for the account, the due date for the current payment, an aging report, a Solix contact phone number and fax, and an address for mailing worksheets and payments. (See Appendix 2 for an example of a monthly statement.)

As stated above, Solix will provide a link to, and screenshot of, the Members Only IUSF worksheet for providers, as well as a hardcopy of the worksheet; and detailed instructions and schedule for completing the worksheet and remitting payments. Providers will be instructed to supply their net billed intrastate retail telecommunications revenue (i.e. billed retail telecommunications revenue less uncollectibles). The Members Only data collection tool will automatically calculate assessments by multiplying net revenue by the then-current assessment factor, then subtracting providers' 2% IUSF administrative fee.

Solix will notify providers in writing about any changes to worksheets, instructions, or schedules, and Solix will immediately update these documents on our IUSF website to reflect such changes. The website will also include clearly marked links to legacy worksheets and instructions as these documents are modified for the benefit of delinquent providers. Appendix 1 includes a screenshot of the Members Only worksheet.

3.106 Reporting Schedule

In the instruction packages that Solix will send to all providers, on Solix's IUSF webpage, and (after the first year) in an annual letter to providers, Solix will distribute a schedule that will specify monthly due dates for worksheets and remittances. Solix will establish a separate and segregated IUSF bank account with Mellon Bank, which will provide a dedicated and secure lockbox for receiving IUSF electronic payments. Mellon will provide Solix with daily cash accounting reports detailing all transactions. Solix will instruct providers to send a paper copy of their online worksheets (which is printable from Members Only) and electronic payments to this lockbox. Mellon Bank each day will process IUSF remittances and send corresponding transaction reports to Solix. (See Section 3.20 for additional information about Mellon Bank.)

3.107 Provider Disputes

Solix shall endeavor to resolve any dispute that may arise with a provider regarding the amount of its contribution to the Fund. Solix staff will document the details of our efforts to resolve such dispute, and, in the event that a provider appeals Solix's determination regarding the amount of contribution owed to the fund, Solix will supply all documentation along with a written report of our findings to the Commission. Solix will collect any disputed contribution pending resolution.

3.108 Remittance of Payments

Solix will take steps to help ensure that providers remit payments completely and on time, including:

- Mailing information packages to providers (initially to all providers and on an ongoing basis to new providers) that will specify monthly due dates for worksheets and remittances, instructions for completing worksheets, and the current surcharge percentage.

- Promptly sending to providers any update to information packages, such as a change in the surcharge percentage, the worksheet, or the payment schedule.
- Posting and updating the contents of information packages to Solix's password-protected IUSF website.
- Motivating providers through our collection efforts and by assessing late charges (see below).

3.109 Information Checks

As stated above, Solix will require providers to complete their worksheets online using Members Only, which will calculate payments automatically once net billed intrastate retail telecommunications revenue and actual intrastate retail telecommunications uncollectibles are entered, thereby avoiding possible arithmetic errors.

Solix staff will also look at data submitted by providers for large swings in revenue, which could indicate inaccurate reporting. In such case, Solix will ask the provider to explain the inconsistency. If a provider cannot explain the swing to Solix's satisfaction and does not agree to correct the reported data, Solix will elevate the issue to URC staff, possibly with a request for authority to conduct a financial audit.

3.110 Audits

If so directed by the Commission, Solix will conduct an audit of the financial records of one or more providers. As mentioned above, Solix may also request authority to conduct a financial audit should we believe one is warranted.

Solix maintains an Internal Auditing group, which will be responsible for any USF-related carrier audit performed for the URC. Solix has significant experience in this regard, and has detailed procedures in place for this purpose, having performed 32 USF carrier audits for the Kansas Corporation Commission over the past two years, and two carrier audits for the Vermont Public Service Board. Further, the Public Regulation Board of New Mexico has enlisted Solix to perform 10 carrier audits annually beginning in 2008.

3.110 Delinquencies

Solix's Members Only system, described above, will allow IUSF participants to self-report and certify revenues to the Fund on a monthly basis. As discussed in

Section 3.105, carriers are required to submit data online and remit payments to the lockbox by the first day of each month. Solix will monitor the status of online data submissions to ensure compliance with the monthly reporting requirements. We will establish a timeframe for system generated email reminders to be sent to all providers that have not reported data prior to the due date. The email reminders will inform providers that their payments will be considered late if not received within TBD days. (Please note that there appears to be a discrepancy in RFP Sections II.4 A.12 and II.4 A.13 regarding the number of days given to remit payment before a late charge is assessed. Section 11.4 A.12 states “within TBD days” and Section 11.5.A.13 states “within five days”). Solix will follow the direction of the URC in determining the number of days in which a provider is considered delinquent. Solix will send a delinquent notice on the seventh of the month following the due date, which will inform the provider (1) of their legal requirement to file, (2) that Solix will assess a late charge if the provider does not make arrangements within TBD days (Solix will work with the URC to establish a remittance timeframe), and (3) that further action may be taken as the URC deems necessary.

Solix is committed to taking every reasonable step to bring delinquent accounts into compliance by strictly following our collection procedures as approved by the Commission. Solix demonstrates this commitment in our Performance Guaranty (see Section 14), which provides for monetary penalties should we fail to perform as promised.

3.111 Late Charges

Solix will assess IUSF late payment charges at a rate of 2.0% of the current monthly payment due, or \$50, whichever is greater, as authorized by the URC. As described above, Solix will determine delinquencies and will send Notices of Delinquency to all delinquent reporters (at the address provided by the provider) when payments are not received within five (5) days of the established due date.

3.112 Appeals Summaries

Solix shall endeavor to resolve any dispute that may arise with a provider regarding the amount of its contribution to the fund, and Solix staff will document the details of our efforts to resolve such a dispute. In the event that a provider appeals Solix's determination regarding its contributions owed to the Fund, Solix will provide to

the Commission all documentation of actions taken to resolve the delinquency including mailed notices and attempts to contact delinquent providers by phone or email. Solix will further provide to the Commission a written report of our findings.

3.113 Collections

Solix will take all reasonable steps to ensure that providers remit their payments in a timely manner. Solix will maintain logs of collection efforts, including letters sent and phone calls made to providers. Should a carrier's delinquency continue, Solix will provide such documentation to the Commission for a decision regarding further collection or enforcement activity.

3.114 Fund Disbursement

Solix will disburse funds from the IUSF to eligible carriers, calculated pursuant to the approved settlement agreement in Cause No. 42144, and as detailed in Attachment B (as revised) of the agreement.

Solix has developed proven disbursement systems that support the timely and accurate processing of more than 45,000 programmatic disbursements each year, exceeding \$4 billion in annual payments. We will utilize these systems to disburse funds to eligible recipients. Our disbursement system allow recipients to receive their payments, preferably via electronic funds transfer, to a designated depository account.

In order to ensure the integrity of our disbursement processes, as well as to provide proper control over the billions of dollars in cash flow managed, our disbursements systems are subject to periodic reviews by both internal and external auditors. These reviews of our systems and processes have confirmed that we provide a substantial level of internal control, including appropriate segregation of duties, thereby providing our clients assurance as to the accuracy and timeliness of disbursements. In addition, only Solix authorized personnel with appropriate executive oversight and approval have access to our systems and the ability to initiate disbursements.

3.115 Fund Transfers

As stated above, Solix will transfer funds electronically (whenever possible) to eligible carriers each month. Carriers will enter their banking information into the Members Only data collection tool, and may use Members Only to revise this information at any time.

3.116 Maintenance of Data

As explained above, Members Only, developed by Solix, is a secure, web-based data collection tool that will enable providers to submit data, and edit previously submitted data, into IUSF worksheets. As Interim Administrator, Solix will adapt Members Only to the IUSF. The system was designed using Microsoft .NET technologies with a Microsoft SQL Server back-end database. Members Only contains field edits to help ensure that revenue is reported in a consistent manner and that totals are calculated correctly.

A significant added benefit of Members Only, when used year after year, is that trend reports can be generated directly from the system rather than through the manual process of comparing separate spreadsheet files. The ability to easily trend information will allow Solix to quickly identify outlying data and contact the reporting carrier for clarification. Solix will make all reasonable efforts to resolve any identified reporting irregularities of Fund participants. If, in our judgment, reporting variances are not satisfactorily substantiated, Solix will notify the URC and work with staff to coordinate any subsequent action. In a similar manner, Solix will immediately contact the URC if we have reason to believe that any party has submitted false information.

Solix will assign each Indiana provider one Members Only company administrator account, and each company's administrator can create multiple user accounts.

Our Members Only design includes encrypted, secure, password-protected access to the system. Once company administrator or user accounts are created, the account owners can change their passwords at any time.

Data from Members Only flows into Epicor, Solix's financial system, on a regular schedule. All company user account and data submission data will be securely stored in a SQL Server database environment. User roles and authorization routines will ensure company data cannot be accessed across companies. The database will be backed up on a nightly schedule, and tapes are sent offsite nightly. Transaction logs will be backed up hourly on weekdays.

The database and web servers are hosted in a climate-controlled computer room in New Jersey. A mirror site is hosted at our disaster recovery location in the southeast part

of the United States. Solix uses a digital certificate for all applications hosted via our Members Only portal.

3.117 IUSF Surcharge Percentage

Solix will estimate the IUSF funding requirements for each funding year, based on an analysis of historical data, to ensure that the IUSF maintains adequate funds. On at least an annual basis, Solix will calculate the surcharge percentage applicable to carriers' net billed intrastate retail telecommunications revenue to ensure that the fund does not operate at a deficit. Solix's recommendation will also be informed by any news of bankruptcies, mergers and acquisitions, pertinent regulatory changes, and other such events.

Solix will also continuously monitor the IUSF to determine whether a mid-year assessment modification may be necessary. A fundamental tenet of Solix fund management policy is to operate on a payment-after-collection basis, using some "over funding" to minimize the possibility of a fund shortfall. If our data analysis and forecast projects a potential fund shortfall, Solix will promptly advise the URC so that it may consider appropriate action.

As explained in the Oversight Committee's responses to bidders' questions, should collections be inadequate to meet distributions, Solix will disburse the available funds to eligible recipient carriers proportionately. Solix will be responsible for determining and recommending a change in the surcharge percentage as soon as feasible to recover any shortfall in collections and to ensure the ongoing provision of sufficient funds.

3.118 Meeting with Commission Staff

Should the Commission so desire, two Solix IUSF staffers will be available for travel to Indianapolis to meet with Commission staff. Solix's maximum price includes personnel costs for one such two-day trip annually.

3.2 Fund Management of the IUSF

3.20 Fund Investments

As required by the Commission, Solix will invest IUSF cash resources in an FDIC-insured bank account in an amount not to exceed the insured limit of \$100,000. Solix proposes using Mellon Bank for all banking operations, given their expertise in

providing such services for various state and federal funds that we currently administer. Mellon Bank is a very responsive and cooperative institution, with an excellent record of performance. Mellon's systems are integrated with ours in a highly secure manner, providing additional efficiencies and ensuring reliable, effective, and prompt processing of all transactions. Moreover, as a result of our ongoing business affiliation, Mellon's banking fees are generally lower than those offered by other institutions. Finally, Mellon will be able to carry out its responsibilities immediately, avoiding the time required to "break in" another financial institution.

Solix will maintain only minimal cash resources in the IUSF bank account to cover outstanding disbursements. The Solix Treasury Group employs a comprehensive program to invest and preserve the balance of undistributed monies in accordance with three primary objectives – safety, liquidity, and yield (see Investment Policy in Appendix 3.) We have established relationships with several high-profile institutional investment management firms who, under our direction and guidance, invest funds in a variety of instruments, including institutional money market accounts, overnight repurchase agreements, and short-term government and corporate commercial paper. We have provided a brief synopsis of the firms currently included on our approved list in Appendix 4.

Solix's 2006 average earnings for funds managed was 4.87%, which is thirty (30) basis points higher than the IMoneyNet Institutional Money Market Fund average rate (4.57%). While there is no guarantee of future performance, we strive to obtain maximum security and maximum return on short-term investments, with optimum liquidity.

3.21 Accounts

As stated above, Solix will continuously track the IUSF. Solix will credit all fund earnings net of investment expense to the fund.

3.3 Required Reports to the IUSF

Solix has installed a state-of-the-art, integrated financial system, Epicor, that performs general ledger, accounts receivable, accounts payable, and billing functions. Epicor handles full accounting and reporting functions for 14 state funds. Solix interacts with more than 6,000 vendors and 17,000 customers.

Epicor will serve as the backbone for electronically recording all IUSF data and properly record each customer's financial transactions. Accounts Receivable, Accounts Payable, Treasury and General Accounting staff are able to access appropriate areas of the system to process transactions and produce a variety of financial reports, including IUSF income statements, balance sheets, statements of cash flows, and customer aging and cash analysis reports.

3.30 Annual Financial Statement

On an annual basis, on or before March 1, we will provide unaudited statements using accrual basis accounting. An example of an unaudited financial statement is contained in Appendix 5.

3.31 Monthly Status Reports

Solix will provide monthly IUSF status reports to the URC. These activity reports will summarize fund assessments and disbursements (both current month and cumulative fiscal year results), fund balance, programmatic disbursements by recipient, and delinquent providers. An example of a monthly status report is contained in Appendix 6.

3.32 IUSF Annual Reports

No later than February 15, Solix will provide to the URC a report detailing prior calendar year data regarding the number of providers reporting to the IUSF, the number of eligible carriers requesting disbursements, and the total amount of the disbursements made to each carrier.

3.4 Regulatory Support

The IUSF was designed to achieve multiple policy objectives, including combining the Indiana High Cost Fund and the state's Transitional DEM Weighting Fund into one funding mechanism while accounting for the impacts of intrastate access revenue losses and the rebalancing of rates to meet state benchmark levels. As such, there are numerous variables that could affect the IUSF's structure or size in the future. As an example, since the URC has a long-standing policy of mirroring interstate and intrastate access rate structures and charges, the ongoing review of the federal intercarrier compensation regime may ultimately impact intrastate access revenues and, therefore, IUSF funding levels. In order to stay abreast of such potential impacts, Solix will

monitor federal and state proceedings related to intercarrier compensation or access charge reform, with a focus on potential impacts on the IUSF.

Examples of other relevant proceedings that Solix will monitor include the pending reform of the federal universal service mechanism and potential revisions to the Telecommunications Act. Since the IUSF was designed to work in conjunction with federal universal service policy objectives, the outcomes of these proceedings may lead to logical revisions in the structure, rules, or policies that guide the IUSF. Solix staff will monitor Cause No. 40785, or subsequent causes, intended to determine whether or not additional Lifeline/LinkUp support should be established for low income customers in Indiana as a component of the IUSF. Solix will track and analyze relevant proceedings, identify potential ramifications on the IUSF, quantify the effects to the extent possible, and recommend appropriate actions. The URC's foresight in creating a flexible and "evolutionary" fund will allow for the systematic implementation of resulting modifications due to regulatory or statutory changes.

In addition to examining formal proceedings, Solix will use its experience gleaned in administering 14 other state funding mechanisms to convey relevant "lessons learned" to the URC and the OC. The different approaches used by states to implement federal requirements or to address state-specific issues can provide valuable insights regarding policies or techniques that have or have not worked well in other areas.

As requested by the URC, Solix will provide additional reports or analyses, including the filing of testimony, participation in Commission or legislative proceedings, or presenting testimony at Legislative or Commission hearings.

SECTION 4 - PRIOR EXPERIENCE

Solix's extensive relevant experience and skill is evidenced by (1) USF-related testimony, analysis, and presentations we have prepared, (2) the 14 universal service and similar funds we administer, and (3) the two federal USF programs we manage as a contractor to the Universal Service Administrative Company (USAC). Solix staff also have extensive experience preparing USF-related testimony, analysis, and presentations. Examples of such material appear in Appendix 7.

Section 4.0 State Fund Administration

Solix currently administers 14 Universal Service Funds (USFs) and similar state fund programs in twelve states. Descriptions of these programs follow:

Arizona Universal Service Fund

Solix administers the Arizona Universal Service Fund (AUSF) under a contract with the Arizona Corporation Commission. The fund supports the state's High Cost telecommunications assistance program. As the AUSF administrator, Solix receives monthly contributions from 363 intrastate telecommunications providers and makes monthly disbursements totaling \$825K annually.

Customer: Arizona Corporation Commission
 Contact: Candrea Allen
 1200 West Washington
 Phoenix, AZ 85007
 (602) 364-0235

Connecticut Telecommunications Relay Service Fund

Sprint contracted with Solix in August 2002 to perform ongoing billing and collections for the Connecticut Telecommunications Relay Service (TRS), which assists hearing- and speech-impaired Connecticut residents. As Connecticut TRSF administrator, Solix receives contributions from 150 intrastate telecommunications providers each month and disburses \$3.5 million annually.

Customer: Connecticut Department of Public Utility Control
 Contact: Patricia Reilly
 Supervisor, Technological Analysis
 34 Jerone Avenue
 Suite 305
 Bloomfield, CT 06002

(860) 827-2823

Hawaii Telecommunications Relay Service Fund

Sprint contracted with Solix in July 2003 to perform billing and collection services to fund Telecommunications Relay Service (TRS) in Hawaii. As the TRS billing and collection agent for Hawaii's TRS administrator, Solix receives monthly contributions from 75 telecommunications providers and disburses \$1 million annually.

Customer: Sprint Relay
 Contact: Lisa Kikuta
 465 South King Street
 Room 103
 Honolulu, HI 96813
 (808) 586-2022

Kansas Universal Service Fund

Solix administers the Kansas Universal Service Fund (KUSF) under contract with the Kansas Corporation Commission (KCC). The Kansas USF funds the state's High Cost support mechanisms, Lifeline program, Kansas Relay Service, and Telecommunications Access and Access Charge Reduction programs. As the Kansas USF administrator, Solix receives contributions from 360 telecommunications providers and makes disbursements totaling \$65 million annually. In addition, Solix performs carrier audits each year of selected telecommunications providers to ensure that the information and data they report to the fund, which forms the basis for their fund assessments, is accurate and consistent with their records. Solix currently performs 16 reviews per year.

Customer: Kansas Corporation Commission
 Contact: Sandy Reams
 Managing Auditor
 1500 SW Arrowhead Road
 Topeka, KS 66604
 (785) 271-3130

Maine Universal Service Fund

The Maine Public Utilities Commission contracted with Solix in July 2005 to administer the Maine Universal Service Fund (MUSF). The fund supports the state's Access Charge Reduction program. As MUSF administrator, Solix receives contributions

from 110 telecommunications providers and makes disbursements totaling \$8 million per year.

Customer: Maine Public Utilities Commission
 Contact: Rich Kania
 Liaison to the USF
 242 State Street
 18 House Station
 August, ME 04333
 (207) 287-1379

Maine Telecommunications Education Access Fund

Solix implemented and administers the Maine Telecommunications Education Access Fund (MTEAF) under a contract with the Maine Public Utilities Commission. The MTEAF provides funds Maine's Schools and Libraries Program, which helps schools and libraries obtain affordable telephone service, Internet access, and internal telecommunications services. As MTEAF administrator, Solix receives contributions from 110 telecommunications providers and disburses \$7 million annually.

Customer: Maine Public Utilities Commission
 Contact: Phil Lindley
 Chairman, MTEAF Advisory Board
 242 State Street
 18 State House Station
 August, ME 04333
 (207) 287- 1598

ConnectME Fund

On July 5, 2007, the State of Maine, ConnectME Authority entered into a contract with Solix to implement and serve as Administrator of the ConnectME Fund. The ConnectME Fund was established to provide grants to providers of advanced communications technology infrastructure that expands the deployment of, or improves the quality of, broadband availability and wireless service coverage in unserved or underserved areas within the state of Maine. As ConnectME administrator, Solix receives contributions from companies offering intrastate telecommunications services in the state of Maine including Cable and Internet Service Providers -- excluding Wireless Carriers.

Customer: ConnectME Authority

Contact: Phil Lindley
Chairman, MTEAF Advisory Board
242 State Street
18 State House Station
August, ME 04333
(207) 287- 1598

New Mexico Universal Service Fund

The New Mexico Public Regulation Commission contracted with Solix in March 2006 to administer the New Mexico Universal Service Fund (NMUSF). New Mexico is one of the first funds administered by Solix to use a newly developed online submission process that allows carriers to replace monthly paper filings with browser-based data entry. As NMUSF administrator, Solix receives contributions from 100 telecommunications providers and disburses \$22 million annually. Beginning in 2008, Solix will perform carrier audits each year of selected telecommunications providers to ensure that the information and data they report to the fund, which forms the basis for their fund assessments, is accurate and consistent with their records. Solix will perform 10 reviews per year.

Customer: New Mexico Public Regulatory Commission
Contact: Ken Smith
Staff Economist
1120 Paseo de Peralta
PO Box 1269
Santa Fe, NM 87504
(505) 827-4411

Nevada Universal Service Fund

Solix personnel have administered the Nevada Universal Service Fund (NUSF) under a contract with the Nevada Public Utilities Commission since the Fund's inception in 1999. The NUSF provides funding for the state's High Cost program. As NUSF administrator, Solix receives contributions from 220 telecommunications providers quarterly and disburses \$500,000 annually.

Customer: Nevada Public Utility Commission
Contact: Charlie Bolle
Regulatory Manager
1150 E William Street
Carson City, NV 89701-3109

(775) 687-6070

Oklahoma Universal Service Fund

Solix personnel originally implemented and administered the Oklahoma Universal Service Fund (OUSF) for the Oklahoma Corporation Commission (OCC) in 1998. The OKUSF provides funding for the state's Primary and Special Universal Service Funds, Lifeline, E911, and the Technology Training Program. The Primary USF permits carriers to recover revenue losses or cost increases resulting from federal or state rules, orders, or policies. The Special USF allows qualified carriers to recover the cost of services provided to public schools, libraries, hospitals and county seats to the extent that they were not reimbursed from federal support mechanisms such as the federal Schools and Libraries and Rural Healthcare programs. As the Oklahoma USF administrator, Solix receives contributions from 584 intrastate telecommunications providers and makes disbursements of \$15 million annually.

Customer: Oklahoma Corporation Commission
Contact: David Dykeman
Director of the PUD
Jim Thorpe Office Building
Suite 580
Oklahoma City, OK 73152
(405) 521-2322

Oregon Universal Service Fund

The Oregon Public Utilities Commission contracted with Solix in 2005 to serve as the Oregon Universal Service Fund Administrator. The OUSF provides funding for the state's High Cost program. As OUSF administrator, Solix receives contributions from 420 intrastate telecommunications providers and makes disbursements totaling \$50 million per year.

Customer: Oregon Public Utility Commission
Contact: Cynthia Van Landuyt
Program Manager - Cost Analysis
550 Capitol Street NE
Suite 215
Salem, OR 97301-2551
(503) 378-6638

Pennsylvania Universal Service Fund

Solix personnel initially setup and managed the Pennsylvania Universal Service Fund (PUSF) for the Pennsylvania Public Utility Commission as Interim PUSF Administrator. Solix subsequently was awarded a competitively bid contract to continue in its role as Administrator. The PUSF provides funding for the state's Access Reduction Charge program. Solix also performs audits of selected carriers to ensure that information reported to the fund administrator is accurate and consistent with the carriers' records. As PUSF administrator, Solix receives contributions from 275 intrastate telecommunications providers and disburses \$34 million annually.

Customer: Pennsylvania Public Utility Commission, Law Bureau
 Contact: Elizabeth Barnes
 Assistant Counsel
 Commonwealth Keystone Building
 400 North Street
 P.O. Box 3265
 Harrisburg, PA 17120
 (717) 772-5408

Puerto Rico Universal Service Fund

Solix personnel were initially contracted by the Puerto Rico Telecommunications Regulatory Board in May 2000 to implement and administer the Puerto Rico Universal Service Fund (PRUSF). The PRUSF provides funding for the state's Telecommunications Relay Service, Isolated Communities support, and Lifeline program. Solix also provides carrier audits services for Puerto Rico. As PRUSF administrator, Solix receives contributions from 25 telecommunications providers and disburses support of \$7 million annually.

Customer: Telecommunications Regulatory Board of Puerto Rico
 Contact: Angel Oquendo Figueroa
 Capital Center Bld. II
 235 Arterial Hostos, Suite 1001
 San Juan, PR 00918
 (787) 756-0804

Texas Universal Service Fund

Solix personnel initially implemented and administered the Texas Universal Service Fund under a contract with the Public Utility Commission of Texas (PUCT) in

1998. The Texas USF supports the state's High Cost Program, Small and Rural Incumbent Local Exchange Carrier Program, Lifeline, Linkup, Telecommunications Relay Services, and Intralata Support program, as well as a Specialized Equipment Distribution voucher program. As TUSF administrator, Solix processes contributions from 2,100 telecommunications service providers and disburses \$585 million of support annually.

Customer: Public Utility Commission of Texas
 Contact: Jay Stone
 Senior Accountant
 1701 North Congress Avenue
 P.O. Box 13326
 Austin, TX 78711
 (512) 936-7425

Section 4.1 Federal Universal Service Fund Administration

Federal Schools and Libraries ("E-Rate") Program

Solix has managed the operation of the federal Schools and Libraries Program for the Universal Services Administrative Company (USAC), the administrator of the program for the FCC, since its inception in 1998. The Schools and Libraries Program, also called "E-Rate," provides more than \$2 billion in annual support to approximately 105,000 schools and 12,000 libraries in the United States and its territories. E-Rate offers grants to eligible schools and libraries for telephone service, Internet access, and internal connections (i.e. equipment and services necessary for telecommunications or Internet access, such as servers, routers, or network wiring) within school or library buildings or on their campuses. E-Rate grants range from 20% to 90% of the cost of eligible services and equipment, depending on the household income level and the urban or rural status of the area in which the school or library is located.

Solix developed and manages an automated application process that is used by more than 90% of the schools and library who apply for E-Rate grants. Solix also receives paper applications, which we scan and then enter the data manually into our application processing system. (We enter all data twice to ensure near 100% accuracy.) The system then automatically flags anomalies in the applications for further review. Examples of such anomalies include changes in applicants' requested grant level (i.e.

percentage of equipment/service cost) from the prior year, and applications from schools or libraries that have not previously applied for E-Rate grants.

After the system automatically detects anomalous entries, Solix's E-Rate reviewers manually evaluate each application to determine the eligibility of the applicant and the equipment or services requested, and to validate the requested grant size based on the community's average income level. Each reviewed application then undergoes several layers of quality review to ensure strict adherence to program guidelines and verification that supporting documentation was properly archived and referenced.

Upon completion of the review of each application, Solix issues a funding commitment decision letter or data feed to notify the applicant and the equipment/service vendor of the approval, modification, or denial of the request. During each funding year, Solix transmits more than 150,000 paper letters to applicants and vendors. Solix notifies USAC of approved applications, and USAC issues payments to these applicants (or vendor, if the bill has not yet been paid). If the demand for E-Rate support exceeds available funds, which are capped at \$2.25 billion annually, then monies are first allocated to the schools and libraries in those communities where the need is greatest, based upon poverty level.

Solix employs more than 250 employees to administer E-Rate. We have, since 1998, reviewed close to 375,000 applications, representing more than one million individual grants. We also have reviewed approximately 6,000 funding commitment decisions for adjustments and recoveries of improperly disbursed funds; processed in excess of 1,900,000 requests for reimbursement, of which 250,000 were manually reviewed; and handled nearly 25,000 appeals.

Solix monitors all aspects of the E-Rate online, web-based system and databases. Daily backups of all databases are stored at Solix's off-site disaster recovery site.

Customer: Universal Service Administrative Company (USAC)

Contact: Mel Blackwell
Vice President
Schools and Libraries Division
2000 L Street Northwest Suite 200
Washington DC 20036
(202) 766-0200

Federal Rural Health Care Program

Solix has managed the operation of the federal Rural Health Care Program (RHC) for USAC since 2000. Rural Health Care is a universal service support mechanism that provides reduced rates to rural health care providers for telecommunications and Internet services necessary for the provision of health care. This program can provide up to \$400 million annually so that rural health care providers pay no more than their urban counterparts for the same or similar telecommunication and Internet services. Health care providers use funds from this program for a variety of patient services, such as transmitting x-rays from remote areas to be read by health care specialists in a city.

All RHC applications and supporting documentation are processed at Solix. Applicants may complete forms online using e-certification, which allows them to electronically sign and immediately post forms on a RHC website. Solix provides a support line staffed by customer service representatives to answer questions.

Solix notifies applicants and service providers of application results through funding commitment decision letters. For funding year 2005-2006 Solix transmitted more than 15,000 of these letters. Since July 2000 Solix has processed more than 20,000 RHC applications.

Solix monitors all aspects of the program's online (web-based) system and databases. Solix creates daily backups of all databases, which are stored at our off-site disaster recovery facility.

Customer: Universal Service Administrative Company (USAC)

Contact: Bill England
Vice President – USAC Rural Health Care
2000 L Street Northwest Suite 200
Washington DC 20036
(202) 263-1624

SECTION 5 – PERSONNEL

Solix's organizational structure is designed to be flexible and totally responsive to our clients, while continuing to achieve all objectives on time and within cost parameters. This structure fosters first-class performance, schedule adherence, and cost-effective use of resources through clearly defined duties and responsibilities, short and direct reporting line to senior management, and proper management span of control.

Solix's experience as the current administrator of 14 state funds, in addition to managing multi-billion dollar federal programs, including the Schools & Libraries and Rural Health Care programs, has taught us that successful administration of USFs requires a multi-disciplinary approach, with demonstrated expertise in the following areas:

- Telecommunications issues and policy
- Forecasting
- Fund performance monitoring and reporting
- Calculation of assessment factors
- Cash and investment management
- Billing and collection
- Procedures and systems design
- Funds distribution
- Fund sizing
- Regulatory support
- Carrier and customer communications
- Accounting
- Internal and external auditing, including fraud examinations
- Financial planning

Solix proposes the following persons to manage the administration of the IUSF. These individual's résumés are included in Appendix 8.

Overall managerial direction and supervision of the IUSF operations will be the responsibility of **John J. Miller**, Senior Vice President of Corporate Development. Mr. Miller, who has worked at Solix since 2001, is responsible for overall direction and coordination of all state programs. His career spans more than 25 years in the telecommunications industry, most of which was spent in key regulatory and marketing positions with Verizon and AT&T. Mr. Miller holds a B.A. in Economics from Harvard University and an M.B.A. from Northeastern University.

Eric Seguin, Director of State and Local Business Development, Mr. Seguin is the former Chief of Economic Policy (Telecom) for the Oklahoma Corporation Commission and is Solix's State Universal Service Subject Matter Expert. Mr. Seguin, reports to Mr. Miller and interfaces with legislators, senior officials and agency staff related to understanding regulatory requirements and Solix's specific program management capabilities. For the IUSF, Mr. Seguin will provide support in researching and analyzing state and federal regulatory proceedings that affect universal service and related issues and develop and deliver expert testimony in support of fund administration recommendations and analyses in formal hearings, legislative meetings, or other regulatory proceedings. Mr. Seguin holds a B.A. degree in Economics/International Finance from Rutgers University, a B.A. degree in Accounting (cum laude) from St. Leo University, an M.B.A. in Finance from the College of William & Mary and is working towards completion of a Ph.D. in Organizational Management.

Daily managerial direction and supervision of the IUSF is the responsibility of **Jean Snopkowski**, Director – State Program Management and Solix's designated IUSF Administrator. Ms. Snopkowski, who reports to Mr. Miller, oversees the activities of all state universal service program operations. She has oversight of the collection of more than \$807 million from program participants. Ms. Snopkowski's prior experience includes identifying new business opportunities, developing work plans, carrier access billing, methods and procedures, and billing and collection activities. She will act as the primary point of contact with the PSC. Ms. Snopkowski holds an Associate of Science in Business Administration from County College of Morris.

Brian Kickey, Manager – State Program Management will be the primary point of contact for the IUSF Administrator. Mr. Kickey, with direction from Ms. Snopkowski, will be responsible for maintaining oversight of Solix's IUSF activities, coordinating the activities of team members and ensuring that all regulatory and contractual requirements are met. He will also coordinate any audits conducted by independent audit firms and state commission staff. Mr. Kickey has more than three years of experience at Solix and is currently the manager for state funds in Maine, Pennsylvania, Arizona, and New Mexico. Mr. Kickey holds a B.A. in Marketing from Pace University.

Under the direction of Mr. Kickey, **Darren Muller**, State Program Specialist, will assist in the management of Solix's IUSF activities. His day to day responsibilities include coordinating mailings, database updates, and file/records retention. Mr. Muller has been with Solix since 2003. Mr. Muller holds a B.S. in Criminal Justice from Rutgers, the State University of New Jersey.

Solix's Chief Financial Officer is **Carol Kenner**, CPA. Prior to joining Solix in 1998, Ms. Kenner worked for Alive Hospice, Inc., for three years as Director of Finance. Ms. Kenner has overseen accounting activities for all state fund programs since 1998. Ms. Kenner, a Certified Public Accountant, holds a B.A. in Economics from Tufts University and an M.S. in Accounting from New York University.

Monique Robinson, CPA, Director of General Accounting and Revenue Operations, reports to Ms. Kenner and has worked at Solix since 1999. Ms. Robinson has extensive experience in, and oversight of, accounts receivable, billing, all general accounting and financial reporting functions, general ledger activity, the generation of financial statements, all tax and accounting research, and the operation of Solix's integrated financial system. For the IUSF, Ms. Robinson will provide the Commission with an annual report of the Indiana provider's telecommunications service revenues. Ms. Robinson is a Certified Public Accountant, and holds a B.S. in Accounting from Rutgers University and an M.A. in Mathematics Education from Kean University.

Kathy Compton, Financial Reporting Manager, has oversight responsibility for the preparation of monthly and annual financial statements, and for processing and posting monthly journal entries for state funds. Ms. Compton, who reports to Ms. Robinson, reviews and reconciles balance sheet accounts, and prepares and analyzes other supporting schedules for Fund auditors. For the IUSF, Ms. Compton will prepare monthly reports and unaudited annual financial statements for the Commission. Ms. Compton, who joined Solix in 1998, brings to the Fund more than 12 years financial experience, and holds an A.A.S. in Early Childhood Education from Bergen Community College and a B.A. in Accounting from William Paterson University. She is currently working towards an M.S. in Management from College of Saint Elizabeth.

Yelena Seryakova, Financial Reporting Associate Manager will assist in the accounting analysis of the IUSF Program. Ms. Seryakova, who works under the direct

supervision of Ms. Compton, has been with Solix since 2003. For the IUSF, Ms. Seryakova will prepare journal entries, verify general ledger amounts, prepare bank reconciliations and develop schedules for auditors. She has over 22 years accounting experience and holds a M.S. in Finance and Banking from the Moscow Financial Academy.

Karin Benson, as Manager of Billing & Collections, is responsible for the managerial duties of several state funds. Ms. Benson's prior experience includes access tariffs, budgeting, and billing and collection activities. Ms. Benson reports to Ms. Robinson and will act as the primary point of contact with Indiana telecommunications carriers. For the IUSF, Ms. Benson will send monthly account statements to providers and provide monthly account receivable closing. Ms. Benson has oversight responsibilities for the performance of state fund desk operations, which include data analysis, customer service, and billing and collections procedures.

Reporting to Ms. Benson, **Beverly McLaughlin**, Accounts Receivable Specialist, is responsible for daily cash receipts, producing invoices and monthly statements, and handling write-offs, credits, debits and adjustments. For the IUSF, Ms. McLaughlin will enter lockbox payments. Ms. McLaughlin, who joined Solix in 1998, brings more than eight years experience to the IUSF. She has a Certificate in Secretarial Office Practice from Dover Business College.

Harold Kestenbaum, Billing Manager, has oversight responsibility for the worksheet entry and data collection for the Indiana Programs, as directed by Ms. Benson. He is responsible for the data analysis and account reconciliation. For the IUSF, Mr. Kestenbaum will attempt to resolve contribution disputes with providers, collect any disputed contributions pending resolution, analyze contribution database for data anomalies, and follow-up with providers on apparent anomalies. He has an extensive background in contract and project management. Mr. Kestenbaum has been with Solix since 2002. He has worked on various Universal Service Funds and brings a wealth of knowledge to the Indiana USF.

Under the direction of Mr. Kestenbaum, **Rosario Pineiro**, Billing Specialist, will be responsible for worksheet entry and data collection for the IUSF. Ms. Pineiro, who

joined Solix in July 2006, brings more than three years of customer service and data entry experience to the IUSF. She has an A.S. degree in Business Administration.

John Bochicchio, CTP, Director - Treasury, Risk, & Investor Relations, is responsible for daily treasury operations, including financial institution selection and fund disbursement processing. Mr. Bochicchio, who joined Solix in 2002, reports directly to Ms. Kenner and manages the cash management operations for all state fund programs. He has extensive experience in cash management operations, including cash forecasting, money transfer, financial institution balance reporting, and general accounting. Mr. Bochicchio will actively monitor fund cash flows and ensure that undistributed funds are invested for the IUSF in accordance with Solix's guidelines. Mr. Bochicchio, is a Certified Treasury Professional, who holds a B.S. in Accounting from Bloomsburg University and an M.B.A. from Farleigh Dickinson University.

Under the direction of Mr. Bochicchio, **Vincent Jarvis**, Cash Management Associate Manager, is responsible for the daily review of bank account activity, cash balance and transaction reporting, and transmitting ACH files and wire information to banks. For the IUSF, Mr. Jarvis will be responsible for the generation of the cash book. Mr. Jarvis, who joined Solix in 2000, has more than 20 years of experience in finance and accounting, and holds an A.S. in Accounting from University of Guyana, and a B.S. in Accounting from Long Island University.

Donna Casey, Director of Expense Operations & Budget, with direction from Ms. Kenner, oversees the accounts payable and disaster recovery operations for state funds. For the IUSF, Ms. Casey is responsible for the disbursement of funds to eligible carriers. Ms. Casey has more than 25 years experience in these areas, 20 of them with Solix. From 2000 to 2005, Ms. Casey managed various state universal service funds, including those of Arizona, Puerto Rico, Oklahoma, Oregon, and Texas. Ms. Casey holds an A.S. in Business Administration from County College of Morris, and a B.A. in Business Administration - Accounting, from The College of Saint Elizabeth.

Susan Kenny, Manager – Accounts Payable, Program Disbursements, and Purchasing, will maintain and verify the IUSF disbursements and bank information. Ms. Kenny reports to Ms. Casey and holds a B.S. in Business from Kean University and an

A.A. from County College of Morris in Business Administration. Ms. Kenny, who joined Solix in 1998, brings more than 20 years of financial experience to the Fund.

A.J. Gorey, Accounts Payable Specialist, with direction from Ms. Kenny, will be responsible for disbursing support payments, in addition to verifying vouchers, processing checks, and providing customer support for participants in various state fund programs. A.J. has been with Solix for 16 years.

Timothy Devore, Disbursements Associate Manager, who reports to Ms. Kenny, will be responsible for the preparation and review of state fund disbursements for the IUSF. Mr. Devore has been with Solix since 2004. In his prior position with Solix, he was involved in the daily operations of multiple state fund programs.

Mary Ann Landry, Program Disbursement Specialist, with direction from Mr. Devore, will be responsible for the daily processing of State Program disbursement requests for the IUSF, providing disbursement customer support, voucher data entry, and mailing of monthly reports. Ms. Landry joined Solix in 2007. She has an Executive diploma in the Secretarial Program from Dover Business College.

Overall managerial direction and supervision of state fund information technology operations is the responsibility of **Cathleen E. Rahlfs**, Vice President & Chief Information Officer. Ms. Rahlfs is responsible for company-wide IT strategic and tactical planning. Her career spans more than 30 years experience in IT and the telecommunications industry, with experience ranging from IT development, project management, contract management, and product management and marketing of software systems. Ms. Rahlfs has worked at Solix since 2001. She holds a B.S. in Liberal Arts with a concentration in Mathematics from University of Illinois.

Dan Marion, Application Development Manager, is directly responsible for IT development and support related to state funds, and will be responsible for software maintenance for the IUSF, with direction from Ms. Rahlfs. Mr. Marion has been with Solix since December 2005 and is responsible for the technical support of various programs we administer. He has over 20 years experience in information technology and holds a B.S. from Montclair State College and a computer programming degree from The Chubb Institute.

Sunday Peralta, Senior SQL Server DBA, reports to Mr. Marion and manages and supports all SQL Server databases at Solix. He has over 15 years of IT experience in software development life cycle using RDBMS with 10 years using SQL Server. Mr. Peralta has extensive experience in database design, modeling, administration and backend development. He joined Solix in October 2006 and holds a Computer Science degree from the University of Santo Tomas, Philippines.

Rahul Gupta, Application Developer, supports several Solix state programs and the internal Solix financial package. Mr. Gupta, with guidance from Mr. Marion, will develop and maintain the IUSF customer-facing website that carriers and service providers will use to enter their monthly retail and remittance data. He has been involved in application development and system support for several overseas and American companies since 1997. Mr. Gupta has been an integral team member with Solix since 2004. He has a B.E. in Electronics and Telecommunications from the Government Engineering College, Jabalpur, India, an MBA from the Institute for Technology and Management, Mumbai, India, and an Honors Diploma in Systems Management from NIIT, Jabalpur, India.

Kent Avery, Senior Manager - Internal Audit, is responsible for supervising the internal auditing of state fund procedures and operations. Mr. Avery, who reports directly to Solix's Board of Directors, is responsible for the preparation of Solix's annual audit plan, performance of specific audits, and oversight of internal audit functions. For the IUSF, Mr. Avery will conduct carrier audits as directed by the Commission. Mr. Avery joined Solix in 2003 and has over 30 years financial and auditing experience. He is a Certified Management Accountant, Certified Financial Manager, Certified Information Systems Auditor, and Certified Internal Auditor. Mr. Avery holds a B.S. in Geology from Bucknell University and an M.B.A. in Professional Management from Pace University.

Lori Tasca, Manager - Internal Audit, is supervised by Mr. Avery and responsible for conducting the internal auditing of state fund procedures and operations. Ms. Tasca, will assist in any carrier audits for the IUSF as directed by the Commission. Ms. Tasca has been with Solix for more than 7 years and has performed the managerial duties of several state USFs, including Arizona, Oklahoma, Oregon, and Texas. Ms.

Tasca's prior experience includes database management, data analysis, customer service, and billing and collection. Ms. Tasca holds a B.A. from Montclair State University.

Section 6 - Statement of Potential Conflicts of Interest

Solix affirms that it does not advocate positions for itself or on behalf of any telecommunications carrier before the Commission. Further, Solix is not affiliated with, or a subsidiary of, any law firm or other entity that represents clients or otherwise supports their interests in proceedings before the Commission. The following relationships are being described in the interest of full disclosure, even though they do not present an appearance of conflict.

Solix has approximately 200 shareholders, six of which are telecommunications companies based in Indiana (see below). None of these companies has an equity stake exceeding 0.7%, and the total stake of all five companies is only 1.6%.

Bloomington Home Telephone Company Inc	Bloomington	IN
New Lisbon Telephone Company Inc	New Lisbon	IN
Pulaski White Rural Telephone Co-Op Inc	Star City	IN
Sunman Telecommunications Corp	Sunman	IN
Swayzee Telephone Company Inc	Swayzee	IN
Yeoman Telephone Company Inc	Yeoman	IN

Solix is a service bureau to approximately 900 telecommunications companies, for which it produces billing invoices. Solix does not advocate positions on behalf of any of its customers. The following are Solix's billing clients doing business in the state of Indiana:

	<u>Headquarters Location</u>	
Bloomington Home Telephone Company Inc	Bloomington	IN
Camden Telephone Company Inc - TDS	Bradenton	FL
Communications Corporation of Indiana - TDS	Bradenton	FL
Home Telephone Company of Pittsboro Inc - TDS	Bradenton	FL
Home Telephone Company Inc - TDS	Bradenton	FL
Merchants & Farmers Telephone Company - TDS	Bradenton	FL
Communications Corporation of Southern Indiana – TDS	Bradenton	FL
S & W Telephone Company Inc - TDS	Bradenton	FL
Tipton Telephone Company Inc - TDS	Bradenton	FL
Tri-County Telephone Company Inc - TDS	Bradenton	FL
Southeastern Indiana Rural Telephone Cooperative	Dillsboro	IN
Northwestern Indiana Telephone Company Inc	Hebron	IN
Hancock Rural Telephone Corporation	Maxwell	IN
Monon Telephone Company Inc	Monon	LA
CenturyTel of Central Indiana, Inc	Monroe	LA

CenturyTel of Odon, Inc	Monroe	LA
Mulberry Cooperative Telephone Company Inc	Mulberry	IN
New Lisbon Telephone Company Inc	New Lisbon	IN
Frontier Communications of Indiana	Rochester	NY
Rochester Telephone Company Inc	Rochester	NY
Frontier Communications of Thorntown	Rochester	NY
RTC Communications Corporation	Rochester	NY
Perry-Spencer Rural Telephone Cooperative Inc	St. Meinrad	IN
Pulaski-White Rural Telephone Cooperative Inc	Star City	IN
Sunman dba Enhanced Telecommunications Corporation	Sunman	IN
Swayzee Telephone Company Inc	Swayzee	IN
Sweetser Rural Telephone Company Inc	Sweetser	IN
West Point Telephone Company Inc	West Point	IN

Solix provides Lifeline eligibility to 36 telecommunications companies. Solix does not advocate positions on behalf of any of these customers. The following are Solix's Lifeline customers doing business in the state of Indiana:

	<u>Headquarters Location</u>	
CCRTC	Cloverdale	IN
Daviess-Martin County Rural Tel. Corp.	Montgomery	IN
Hancock Telecom	Maxwell	IN
Ligonier Telephone Co.	Ligonier	IN
Mulberry Coop Tel. Co.	Mulberry	IN
Pulaski White Rural Telephone	Star City	IN
Smithville Telephone Co.	Ellettsville	IN
Washington County Rural Tel Coop	Pekin	IN

Below is a client list for all similar work performed during the past five (5) years, identifying the client, nature of review/assistance and dates of service.

<u>Contract</u>	<u>Dates of Service</u>	<u>Client</u>	<u>Services</u>
State Programs			
Arizona USF	1997 - Present	Arizona Corporation Commission	State Fund Administration
Arkansas USF	1997 - 2003	Arkansas Public Service Commission	State Fund Administration
Connecticut TRS	2002 - Present	Connecticut Department of Public Utility Control	State Fund Administration
District of Columbia USTF	2003 – 2006	District of Columbia Public Service Commission	State Fund Administration
Hawaii TRS	2003 - Present	Hawaii Public Utilities Commission	State Fund Administration
Kansas USF	1997 - Present	Kansas Corporation Commission	State Fund Administration
Maine TEAF	2005 - Present	Maine Public Utilities Commission	State Fund Administration
Maine USF	2005 - Present	Maine Public Utilities Commission	State Fund Administration
Maine – Connect	2007 - Present	Maine Public Utilities Commission	State Fund Administration
Nevada USF	1999 - Present	Nevada Public Utilities Commission	State Fund Administration
New Mexico USF	2006 - Present	New Mexico Public Regulation Commission	State Fund Administration
Oklahoma USF	1998 - Present	Oklahoma Corporation Commission	State Fund Administration
Oregon USF	2004 - Present	Oregon Public Utility Commission	State Fund Administration
Pennsylvania USF	2000 - Present	Pennsylvania Public Utility Commission	State Fund Administration
Puerto Rico USF	2000 - Present	Puerto Rico Public Service Commission	State Fund Administration
Texas USF	1999 - Present	Texas Public Utility Commission	State Fund Administration
Vermont USF	1994 – 2006	Vermont Public Service Board	State Fund Administration
Vermont EEU	2000 - 2005	Vermont Public Service Board	State Fund Administration
Federal Programs			
Schools & Libraries	1998 – Present	Universal Service Administration Corporation	Funding Eligibility Verification
Rural Health Program	2000 - Present	Universal Service Administration Corporation	Funding Eligibility Verification

SECTION 7 - COST AND PRICE ANALYSIS

Section 7.1 Personnel Costs (See Appendix 9 for details)

Contract Year 1	100,000
Contract Year 2	99,000
Total	\$199,000

Section 7.2 Cost of Materials and Supplies

Postage and Related Costs	\$10,000
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Section 7.3 Other Independent Third-Party Administrator Costs

Banking Services	\$40,000
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Section 7.4 Subcontractor Costs (None)

Section 7.5 Transportation Costs

Airfare	1,200
Per Diem.....	280
Car Rental.....	200
Lodging	700
Transportation to and from airport	740
Total	<u>\$3,120</u>

Section 7.6 Total Maximum Cost of Contract Proposal

.....	\$252,120
-------	-----------

Regulatory Support Per Diem = \$1,000

Carrier Audit Work Per Diem = \$1,500

SECTION 8 - TIME ESTIMATES

Please See Appendix 10 for the information required for this section.

SECTION 9 - STATEMENT OF CONFIDENTIALITY

Solix agrees that during the course of the contract, we shall not disclose the progress or preliminary findings of the Project other than to the Commission, and we shall comply with Commission Orders regarding the treatment of proprietary information.

SECTION 10 - REFERENCES

Arizona Universal Service Fund (1997 – Present)

Solix administers the Arizona Universal Service Fund (AUSF) under a contract with the Arizona Corporation Commission. The fund supports the state's High Cost telecommunications assistance program. As the AUSF administrator, Solix receives monthly contributions from 363 intrastate telecommunications providers and makes monthly disbursements totaling \$825K annually.

Customer: Arizona Corporation Commission
 Contact: Candrea Allen
 1200 West Washington
 Phoenix, AZ 85007
 (602) 364-0235

Connecticut Telecommunications Relay Service Fund (2002 – Present)

Sprint contracted with Solix in August 2002 to perform ongoing billing and collections for the Connecticut Telecommunications Relay Service (TRS), which assists hearing- and speech-impaired Connecticut residents. As Connecticut TRSF administrator, Solix receives contributions from 150 intrastate telecommunications providers each month and disburses \$3.5 million annually.

Customer: Connecticut Department of Public Utility Control
 Contact: Patricia Reilly
 Supervisor, Technological Analysis
 34 Jerone Avenue
 Suite 305
 Bloomfield, CT 06002
 (860) 827-2823

Hawaii Telecommunications Relay Service Fund (2003 – Present)

Sprint contracted with Solix in July 2003 to perform billing and collection services to fund Telecommunications Relay Service (TRS) in Hawaii. As the TRS billing and collection agent for Hawaii's TRS administrator, Solix receives monthly contributions from 75 telecommunications providers and disburses \$1 million annually.

Customer: Sprint Relay
 Contact: Lisa Kikuta
 465 South King Street
 Room 103

Honolulu, HI 96813
(808) 586-2022

Kansas Universal Service Fund (1997 – Present)

Solix administers the Kansas Universal Service Fund (KUSF) under contract with the Kansas Corporation Commission (KCC). The Kansas USF funds the state's High Cost support mechanisms, Lifeline program, Kansas Relay Service, and Telecommunications Access and Access Charge Reduction programs. As the Kansas USF administrator, Solix receives contributions from 360 telecommunications providers and makes disbursements totaling \$65 million annually. In addition, Solix performs carrier audits each year of selected telecommunications providers to ensure that the information and data they report to the fund, which forms the basis for their fund assessments, is accurate and consistent with their records. Solix currently performs 16 reviews per year.

Customer: Kansas Corporation Commission
Contact: Sandy Reams
Managing Auditor
1500 SW Arrowhead Road
Topeka, KS 66604
(785) 271-3130

Maine Universal Service Fund (2005 – Present)

The Maine Public Utilities Commission contracted with Solix in July 2005 to administer the Maine Universal Service Fund (MUSF). The fund supports the state's Access Charge Reduction program. As MUSF administrator, Solix receives contributions from 110 telecommunications providers and makes disbursements totaling \$8 million per year.

Customer: Maine Public Utilities Commission
Contact: Rich Kania
Liaison to the USF
242 State Street
18 House Station
August, ME 04333
(207) 287-1379

Maine Telecommunications Education Access Fund (2005 – Present)

Solix implemented and administers the Maine Telecommunications Education Access Fund (MTEAF) under a contract with the Maine Public Utilities Commission. The MTEAF provides funds Maine's Schools and Libraries Program, which helps schools and libraries obtain affordable telephone service, Internet access, and internal telecommunications services. As MTEAF administrator, Solix receives contributions from 110 telecommunications providers and disburses \$7 million annually.

Customer: Maine Public Utilities Commission
 Contact: Phil Lindley
 Chairman, MTEAF Advisory Board
 242 State Street
 18 State House Station
 August, ME 04333
 (207) 287- 1598

ConnectME Fund (2007 – Present)

On July 5, 2007, the State of Maine, ConnectME Authority entered into a contract with Solix to implement and serve as Administrator of the ConnectME Fund. The ConnectME Fund was established to provide grants to providers of advanced communications technology infrastructure that expands the deployment of, or improves the quality of, broadband availability and wireless service coverage in unserved or underserved areas within the state of Maine. As ConnectME administrator, Solix receives contributions from companies offering intrastate telecommunications services in the state of Maine

including Cable and Internet Service Providers -- excluding Wireless Carriers.

Customer: ConnectME Authority
 Contact: Phil Lindley
 Chairman, MTEAF Advisory Board
 242 State Street
 18 State House Station
 August, ME 04333
 (207) 287- 1598

New Mexico Universal Service Fund (2006 – Present)

The New Mexico Public Regulation Commission contracted with Solix in March 2006 to administer the New Mexico Universal Service Fund (NMUSF). New Mexico is

one of the first funds administered by Solix to use a newly developed online submission process that allows carriers to replace monthly paper filings with browser-based data entry. As NMUSF administrator, Solix receives contributions from 100 telecommunications providers and disburses \$22 million annually. Beginning in 2008, Solix will perform carrier audits each year of selected telecommunications providers to ensure that the information and data they report to the fund, which forms the basis for their fund assessments, is accurate and consistent with their records. Solix will perform 10 reviews per year.

Customer: New Mexico Public Regulatory Commission
 Contact: Ken Smith
 Staff Economist
 1120 Paseo de Peralta
 PO Box 1269
 Santa Fe, NM 87504
 (505) 827-4411

Nevada Universal Service Fund (1999 – Present)

Solix personnel have administered the Nevada Universal Service Fund (NUSF) under a contract with the Nevada Public Utilities Commission since the Fund's inception in 1999. The NUSF provides funding for the state's High Cost program. As NUSF administrator, Solix receives contributions from 220 telecommunications providers quarterly and disburses \$500,000 annually.

Customer: Nevada Public Utility Commission
 Contact: Charlie Bolle
 Regulatory Manager
 1150 E William Street
 Carson City, NV 89701-3109
 (775) 687-6070

Oklahoma Universal Service Fund (1998 – Present)

Solix personnel originally implemented and administered the Oklahoma Universal Service Fund (OUSF) for the Oklahoma Corporation Commission (OCC) in 1998. The OKUSF provides funding for the state's Primary and Special Universal Service Funds, Lifeline, E911, and the Technology Training Program. The Primary USF permits carriers to recover revenue losses or cost increases resulting from federal or state rules, orders, or policies. The Special USF allows qualified carriers to recover the cost of services

provided to public schools, libraries, hospitals and county seats to the extent that they were not reimbursed from federal support mechanisms such as the federal Schools and Libraries and Rural Healthcare programs. As the Oklahoma USF administrator, Solix receives contributions from 584 intrastate telecommunications providers and makes disbursements of \$15 million annually.

Customer: Oklahoma Corporation Commission
 Contact: David Dykeman
 Director of the PUD
 Jim Thorpe Office Building
 Suite 580
 Oklahoma City, OK 73152
 (405) 521-2322

Oregon Universal Service Fund (2004 – Present)

The Oregon Public Utilities Commission contracted with Solix in 2005 to serve as the Oregon Universal Service Fund Administrator. The OUSF provides funding for the state's High Cost program. As OUSF administrator, Solix receives contributions from 420 intrastate telecommunications providers and makes disbursements totaling \$50 million per year.

Customer: Oregon Public Utility Commission
 Contact: Cynthia Van Landuyt
 Program Manager - Cost Analysis
 550 Capitol Street NE
 Suite 215
 Salem, OR 97301-2551
 (503) 378-6638

Pennsylvania Universal Service Fund (2000 – Present)

Solix personnel initially setup and managed the Pennsylvania Universal Service Fund (PUSF) for the Pennsylvania Public Utility Commission as Interim PUSF Administrator. Solix subsequently was awarded a competitively bid contract to continue in its role as Administrator. The PUSF provides funding for the state's Access Reduction Charge program. Solix also performs audits of selected carriers to ensure that information reported to the fund administrator is accurate and consistent with the carriers' records. As PUSF administrator, Solix receives contributions from 275 intrastate telecommunications providers and disburses \$34 million annually.

Customer: Pennsylvania Public Utility Commission, Law Bureau
Contact: Elizabeth Barnes
Assistant Counsel
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17120
(717) 772-5408

Puerto Rico Universal Service Fund (2000 – Present)

Solix personnel were initially contracted by the Puerto Rico Telecommunications Regulatory Board in May 2000 to implement and administer the Puerto Rico Universal Service Fund (PRUSF). The PRUSF provides funding for the state's Telecommunications Relay Service, Isolated Communities support, and Lifeline program. Solix also provides carrier audits services for Puerto Rico. As PRUSF administrator, Solix receives contributions from 25 telecommunications providers and disburses support of \$7 million annually.

Customer: Telecommunications Regulatory Board of Puerto Rico
Contact: Angel Oquendo Figueroa
Capital Center Bld. II
235 Arterial Hostos, Suite 1001
San Juan, PR 00918
(787) 756-0804

Texas Universal Service Fund (1999 - Present)

Solix personnel initially implemented and administered the Texas Universal Service Fund under a contract with the Public Utility Commission of Texas (PUCT) in 1998. The Texas USF supports the state's High Cost Program, Small and Rural Incumbent Local Exchange Carrier Program, Lifeline, Linkup, Telecommunications Relay Services, and Intralata Support program, as well as a Specialized Equipment Distribution voucher program. As TUSF administrator, Solix processes contributions from 2,100 telecommunications service providers and disburses \$585 million of support annually.

Customer: Public Utility Commission of Texas
Contact: Jay Stone
Senior Accountant
1701 North Congress Avenue

P.O. Box 13326
Austin, TX 78711
(512) 936-7425

Federal Schools and Libraries ("E-Rate") Program (1998 – Present)

Solix has managed the operation of the federal Schools and Libraries Program for the Universal Services Administrative Company (USAC), the administrator of the program for the FCC, since its inception in 1998. The Schools and Libraries Program, also called "E-Rate," provides more than \$2 billion in annual support to approximately 105,000 schools and 12,000 libraries in the United States and its territories. E-Rate offers grants to eligible schools and libraries for telephone service, Internet access, and internal connections (i.e. equipment and services necessary for telecommunications or Internet access, such as servers, routers, or network wiring) within school or library buildings or on their campuses. E-Rate grants range from 20% to 90% of the cost of eligible services and equipment, depending on the household income level and the urban or rural status of the area in which the school or library is located.

Solix developed and manages an automated application process that is used by more than 90% of the schools and library who apply for E-Rate grants. Solix also receives paper applications, which we scan and then enter the data manually into our application processing system. (We enter all data twice to ensure near 100% accuracy.) The system then automatically flags anomalies in the applications for further review. Examples of such anomalies include changes in applicants' requested grant level (i.e. percentage of equipment/service cost) from the prior year, and applications from schools or libraries that have not previously applied for E-Rate grants.

After the system automatically detects anomalous entries, Solix's E-Rate reviewers manually evaluate each application to determine the eligibility of the applicant and the equipment or services requested, and to validate the requested grant size based on the community's average income level. Each reviewed application then undergoes several layers of quality review to ensure strict adherence to program guidelines and verification that supporting documentation was properly archived and referenced.

Upon completion of the review of each application, Solix issues a funding commitment decision letter or data feed to notify the applicant and the equipment/service

vendor of the approval, modification, or denial of the request. During each funding year, Solix transmits more than 150,000 paper letters to applicants and vendors. Solix notifies USAC of approved applications, and USAC issues payments to these applicants (or vendor, if the bill has not yet been paid). If the demand for E-Rate support exceeds available funds, which are capped at \$2.25 billion annually, then monies are first allocated to the schools and libraries in those communities where the need is greatest, based upon poverty level.

Solix employs more than 250 employees to administer E-Rate. We have, since 1998, reviewed close to 375,000 applications, representing more than one million individual grants. We also have reviewed approximately 6,000 funding commitment decisions for adjustments and recoveries of improperly disbursed funds; processed in excess of 1,900,000 requests for reimbursement, of which 250,000 were manually reviewed; and handled nearly 25,000 appeals.

Solix monitors all aspects of the E-Rate online, web-based system and databases. Daily backups of all databases are stored at Solix's off-site disaster recovery site.

Customer: Universal Service Administrative Company (USAC)
Contact: Mel Blackwell
Vice President
Schools and Libraries Division
2000 L Street Northwest Suite 200
Washington DC 20036
(202) 766-0200

Federal Rural Health Care Program (2000 – Present)

Solix has managed the operation of the federal Rural Health Care Program (RHC) for USAC since 2000. Rural Health Care is a universal service support mechanism that provides reduced rates to rural health care providers for telecommunications and Internet services necessary for the provision of health care. This program can provide up to \$400 million annually so that rural health care providers pay no more than their urban counterparts for the same or similar telecommunication and Internet services. Health care providers use funds from this program for a variety of patient services, such as transmitting x-rays from remote areas to be read by health care specialists in a city.

All RHC applications and supporting documentation are processed at Solix. Applicants may complete forms online using e-certification, which allows them to electronically sign and immediately post forms on a RHC website. Solix provides a support line staffed by customer service representatives to answer questions.

Solix notifies applicants and service providers of application results through funding commitment decision letters. For funding year 2005-2006 Solix transmitted more than 15,000 of these letters. Since July 2000 Solix has processed more than 20,000 RHC applications.

Solix monitors all aspects of the program's online (web-based) system and databases. Solix creates daily backups of all databases, which are stored at our off-site disaster recovery facility.

Customer: Universal Service Administrative Company (USAC)

Contact: Bill England
Vice President – USAC Rural Health Care
2000 L Street Northwest Suite 200
Washington DC 20036
(202) 263-1624

SECTION 11 - STATEMENT OF UNDERSTANDING

Solix affirms that we have read the RFP, understand all sections, and will comply with those sections.

SECTION 12 - FINANCIAL STATEMENTS

Solix's 2006 audited financial statements are contained in Appendix 11.

SECTION 13 - EQUAL EMPLOYMENT OPPORTUNITY POLICY

Solix's Equal Employment Opportunity Policy is contained in Appendix 12.

SECTION 14 - SOLIX'S USF GUARANTY OF PERFORMANCE

Solix's commitment to offering the highest level of service to the Commission is demonstrated by this Guarantee of Performance. For each instance in which Solix fails to meet a service level requirement as described below, we will discount our next invoice by 10%, up to a maximum of 25%.

- **Timely Submission of Monthly Statements**

Solix will send all providers with a non-zero balance a monthly statements no later than the date due for this activity.

- **Late-Payment Charges**

Solix will assess late-payment charges, as necessary, by a date mutually agreed upon by Solix and Commission staff.

- **Timely and Accurate Reporting**

Solix will submit all reports required by the Commission and as stated in the contract, no later than the date due. A report delivered by the date due will nonetheless be considered late if it contains inaccuracies that are caused by Solix and that are material in nature so as to require Solix to submit an amended report.

- **Timely Response to Questions**

Solix will return calls to Commission staff within 24 hours, at which time Solix will at which time Solix, if necessary, will indicate how much time will be required to fulfill a request or answer a question.

- **Timely Disbursement of Payments to Eligible Recipients**

Solix will disburse payments to eligible recipients no later than the date due.

Appendices

- 1. Screenshots of IUSF “Members Only” data collection tool**
- 2. Monthly Statement Report**
- 3. Investment Policy**
- 4. Approved Investment Managers**
- 5. Annual Financial Statement**
- 6. Monthly Status Report**
- 7. Solix USF Testimony, Analysis and Presentations**
- 8. Resumes**
- 9. Personnel Costs**
- 10. Time Estimates**
- 11. Solix Financial Statements**
- 12. Solix Equal Employment Opportunity Policy**

Appendix 1.

Screenshots of IUSF “Members Only” data collection tool

Screenshots of IUSF “Members Only” data collection tool that IUSF carriers and service providers will use to enter their monthly retail and remittance data.

My Login Information
Solis Admin
Logout

Main Page
[Worksheets Filed](#)
[Worksheets Pending](#)

ENVIRONMENT: LOCALHOST

INDIANA UNIVERSAL SERVICE FUND 2007 / 2008 REMITTANCE WORKSHEET

Revenue Data Months: **OCT 07** Submission Type: **ORIGINAL**

SECTION 2 - MONTHLY INTRASTATE RETAIL REVENUE DATA

4. INTRASTATE RETAIL TELECOMMUNICATIONS SERVICE REVENUE....	4. \$ 100
5. UNREPORTED RETAIL INTRASTATE TELECOMMUNICATIONS UNCOLLECTABLES....	5. \$ 50
6. TOTAL ASSESSABLE REVENUE (LINE 4 - LINE 5)....	6. \$ 50
7. IUSF ASSESSMENT RATE....(EFFECTIVE 10/07 - 12/08 UNLESS CHANGED BY ADMINISTRATOR)....	7. .02
8. GROSS IUSF ASSESSMENT (LINE 6 * LINE 7)....	8. \$ 1
9. IUSF ASSESSMENT LESS B & C ADMINISTRATION FEE (2% OF LINE 6 IS RETAINED BY CARRIER ADMINISTRATION)....	9. 0.02
10. NET IUSF REMITTANCE (LINE 8 * LINE 9)....	10. \$ 0.02

Comments :

SECTION 4 - CERTIFICATION

Worksheets pending

3. UNREPORTED RETAIL INTRASTATE TELECOMMUNICATIONS UNCOLLECTIBLES.... 3. 0.00

6. TOTAL ASSESSABLE REVENUE (LINE 4 - LINE 5)....	6. \$	5.0
7. IUSF ASSESSMENT RATE(EFFECTIVE 10/07 - 12/08 UNLESS CHANGED BY ADMINISTRATOR)....	7.	0.02
8. GROSS IUSF ASSESSMENT (LINE 6 * LINE 7)....	8. \$	1
9. IUSF ASSESSMENT LESS B & C ADMINISTRATION FEE (2% OF LINE 6 IS RETAINED BY CARRIER ADMINISTRATION)....	9.	0.02
10. NET IUSF REMITTANCE (LINE 8 * LINE 9)....	10. \$	0.02

Comments :

SECTION 4 - CERTIFICATION

13. Officer Name Officer Title

14. 111-222-3344 Contact Name Contact Phone

☐ Under penalties as provided by law, I certify that I have examined that report and to the best of my knowledge and belief it is true, correct and complete. I further acknowledge Solix's authority to request additional supporting information as may be necessary.

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Terms of Use | Privacy Policy

Done



STATEMENT

Page 1 of 1

Prepared For:
Sample

Customer Number: 999999
Statement Date: 09/24/2007

Send To:

Sample
Attn:
100 South Jefferson Road
Whippany, NJ 07981

Mail Payment to Lockbox:

INUSF

Date	Number	Due	Type	Reference	Comment	Amount
9/1/2005	CMOA-32721	9/1/2005	On-Account Credit Memo		OA-32721	(\$432.97)
1/25/2007	CMOA117853	1/25/2007	On-Account Credit Memo		OA117853	(\$999.34)
2/15/2007	CMOA-58723	2/15/2007	On-Account Credit Memo		OA-58723	(\$31.12)
3/20/2007	CMOA1482436	3/20/2007	On-Account Credit Memo		OA1482436	(\$6.21)
4/16/2007	CMOA-61419	4/16/2007	On-Account Credit Memo		OA-61419	(\$4,008.91)
5/17/2007	CMOA-63123	5/17/2007	On-Account Credit Memo		OA-63123	(\$452.64)
5/21/2007	CMOA-63366	5/21/2007	On-Account Credit Memo		OA-63366	(\$184.48)
6/26/2007	CK10706	6/26/2007	On-Account Cash Receipt		CK10706	(\$513.66)
7/17/2007	CK120190	7/17/2007	On-Account Cash Receipt		CK120190	(\$418.08)
7/24/2007	CK10798	7/24/2007	On-Account Cash Receipt		CK10798	(\$547.64)
8/6/2007	0000000010838	8/6/2007	On-Account Cash Receipt		KINSLOCKBOX08/06/2007	(\$594.98)
8/24/2007	CK21196	8/24/2007	On-Account Cash Receipt		CK21196	(\$486.39)
9/4/2007	CK2224	9/4/2007	On-Account Cash Receipt		CK2224	(\$2.35)
9/11/2007	CK40164	9/11/2007	On-Account Cash Receipt		CK40164	(\$202.94)

Total: (\$8,881.71)

Direct questions to Sample FUND ADMINISTRATOR

Phone: (973) 581-5394

Fax: (973) 599-6504

Note: Your company has a credit balance. Please apply credit against your next remittance

Customer Number: 999999
Statement Date: 09/24/2007

Statement Balance:
(\$8,881.71)

Page 1 of 1

Mail Payment to Lockbox:

<u>Under 30</u> (\$691.68)	<u>31 To 60</u> (\$1,142.62)	<u>61 To 90</u> (\$931.74)
<u>91 To 120</u> \$0.00	<u>121 To 150</u> (\$637.12)	<u>Over 151</u> (\$5,478.55)

Solix, Inc.
Investment Policy

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Solix, Inc.

Investment Policy

I. PURPOSE:

The purpose of this policy statement is to provide a clear understanding among Solix, Inc. ("Solix") and investment managers, fund managers, and other stakeholders concerning the investment policy and objectives of the funds managed by Solix.

II. INVESTMENT OBJECTIVES:

The investment policy shall provide for the preservation of all funds held by Solix, pending distribution to recipients, and will reflect three primary objectives. These are, in order of priority:

- Security
Investments shall be made only in securities that minimize risk. This will be accomplished through purchase of securities and other investments that have appropriate ratings and/or insurance that assures the preservation of the investment principal.
- Liquidity
Investments shall be in instruments that are highly liquid and can be sold at any time in the secondary money market or back to the original seller. This will ensure our ability to meet any cash needs, including unexpected needs.
- Yield
Investments shall be made with the intent of maximizing yield within the constraints of this policy statement.

This statement outlines an overall philosophy that is specific, but flexible enough to be responsive to any rapid changes in the economy and securities market.

III. RESPONSIBILITIES OF PARTIES:

All parties are subject to the "Prudent Man Rule" which states:

"Funds will be invested with the care, skill, prudence, and diligence under the circumstances prevailing from time to time that a prudent man acting in a like capacity and familiar with the purpose of fund proceeds would use in the investment of a fund of like character and similar objectives."

A. Audit Committee of the Board of Directors

The Audit Committee has overall responsibility for the investments held by Solix but, as a practical matter, shall delegate day-to-day management of the investments to the Investment Committee (Solix management). The Audit Committee shall approve any changes to this investment policy and shall periodically review the performance of the investment portfolios and review actions taken by the Investment Committee. The Audit Committee has ultimate decision-making authority over any investments managed by Solix.

B. Investment Committee

The management of investments in compliance with this policy is the responsibility of the Investment Committee comprised of the following individuals:

President and Chief Executive Officer
Chief Financial Officer (CFO)
Director Treasury, Risk & Investor Relations

The committee's responsibilities are to:

- Ensure compliance with this investment policy
- Recommend to the Audit Committee any modifications to this investment policy.
- Conduct quarterly meetings for timely program reviews and provide minutes of these quarterly meetings, including investment results, to the Audit Committee.
- Determine the investment dollars allocated to each investment portfolio based upon review of the company's cash forecasting models in accordance with the primary objectives of this policy.
- Select investment managers and allocate funds for investment.
- Hire any consultants deemed necessary to assure adherence to this policy and principles or provide advice on fund management.
- Monitor performance of portfolio investment managers and, if necessary, replace any under-performing managers.
- Conduct any other such investment-related activities as directed by the Audit Committee from time to time.

The committee shall meet quarterly no later than 45 days after the end of the preceding quarter. Solix' CFO may call a special meeting of the committee to address investment issues that require immediate attention. At any meeting of the committee, a quorum shall exist when three members of the committee, including one corporate officer, are present.

The committee shall direct the Solix Treasury Operations group to conduct the daily operations of investment management. Such operations include, but are not limited to: executing trades, disbursing funds, and re-allocating funds among the various investment portfolios. The committee shall not delegate the selection of investment managers or the hiring of consultants whose purpose is to advise the committee on investment matters.

C. Investment Manager(s)

Responsibilities of any engaged investment managers will be incorporated in the individual agreements between the managers and Solix, subject to the approval of the Investment Committee. At a minimum, such agreements shall include mutually acceptable performance benchmarks, custodial services, investment reporting form and frequency, and require that the managers will be in full compliance with this policy.

IV. ASSET ALLOCATION OBJECTIVES:

A. Investment Pools

Cash managed by Solix will be grouped for investment purposes and shall be allocated into four investment pools as follows:

1. **Cash & cash equivalents** – this pool maintains the cash that is required for normal operating expenditures as determined by the company's cash forecasts. Investments in this pool shall be limited to Institutional Money Market funds or other instruments where the maturity of such instruments is 90 days or less.
2. **Short-term investment** – this pool will have an average weighted maturity of no more than eighteen (18) months.
3. **Intermediate-term investment** – this pool will have an average weighted maturity of no more than three (3) years.
4. **Government intermediate-term investment** – this pool is available to those funds whose investments are restricted by United States Treasury regulations. This pool will have an average weighted maturity of no more than three (3) years. It will be restricted to securities issued by the U.S. Government or its Agencies, Mortgage Backed Securities having the backing of the U.S. Government, and Money Market Funds qualified under rule 2a-7 of the Investment Company Act of 1940.

B. Assignment of Pools

The Investment Committee shall assign each pool to one or more investment manager(s) who will manage the investments subject to any restrictions for that pool as outlined in this policy statement. Any reference to portfolio refers to the investment portfolio under the control of any investment manager not the aggregate value of the pool, unless specifically referenced in this policy statement.

V. ALLOWABLE SECURITIES AND RATINGS:

Due to the nature of the managed funds, investments will be limited to fixed income instruments and cash reserves. All investments must be in U.S. dollars. Investments in any instrument not explicitly mentioned in this policy statement are forbidden without the expressed written consent of the Investment Committee. Allowable investments are as follows:

1. U.S. Government/Treasury Securities

Obligations of, or guaranteed by, the United States of America, its agencies or instrumentalities.

2. Bank Securities

- Obligations of, or guaranteed by, national or state banks or banking holding companies rated "A" or better by Fitch Investors Service, or its equivalent by a nationally recognized rating agency.
- Bankers' acceptances or negotiable certificates of deposits issue by U.S. banks and rated "A" or better by Fitch Investors Service, or its equivalent by a nationally recognized rating agency.

3. Debt Securities

Corporate debt instruments rated "Baa" or better by Moody's Investors Service, or an equivalent rating by another nationally recognized debt-rating service (where market conditions warrant and subject to investment manager understanding). The average quality of all such securities in the portfolio shall not be less than an "A" rating.

4. Commercial Paper

Commercial paper of a corporation organized in the United States with a maturity of 270 days or less and rated Prime-1 or better by Moody's Investors Service, or an equivalent rating by another nationally recognized debt-rating service, and shall not exceed 1% of the issuer's net worth.

5. Repurchase Agreements

Repurchase agreements ("Repos") secured by securities qualified under other sections of this policy statement. Such collateral shall be no less than 102% of the investment in the Repos and such Repos shall mature in 7 days or less. Repos are limited to high quality borrowers.

VI. DIVERSIFICATION OF PORTFOLIO:

Diversification of investments is an important aspect of the management of Solix, Inc. funds. Diversity provides additional protection from any one sector or instrument materially impacting the liquidity or yield of the funds. As such, the following are the maximum levels of investment allowed under our investment program:

1. The Investment Committee shall, at all times, maintain in cash or cash equivalent investments (including investments in the "cash or cash equivalent" pool) an amount

necessary to cover any net cash outflows (net of cash inflows) as determined by Solix' quarterly cash forecasting model. In any event, such cash or cash equivalent investments shall be no less than 30% of any one customer's current available fund balance.

2. Investment in fixed-income securities of any one company shall be limited to 10%, at cost, of the aggregate investment portfolio, except that obligations in the United States Government, or its agencies, are exempted from this requirement.
3. To protect the integrity of the portfolio, no more than 10% of the portfolio, at cost, shall be rated "Baa" by Moody's Investors Service or an equivalent rating by another nationally recognized debt-rating service.

VII. INVESTMENT AUTHORITY:

1. Subject to the provisions of this investment policy, the Audit Committee authorizes the Investment Committee, with the assistance of the CFO, to invest all funds as may be held by Solix from time to time.
2. The Investment Committee is authorized to engage Investment Managers to invest any funds held by Solix. Subject to this policy and written agreement between the Investment Manager and Solix, the Investment Manager is provided discretion to select individual securities and adjust the structure of the portfolio consistent with this policy.
3. The Audit Committee, the Investment Committee, and the CFO shall provide guidance, authority and establish limitations with respect to investment of funds by Investment Managers as herein provided. Investment Managers so engaged shall be responsible and held accountable for investment results. Investment Managers are, therefore, encouraged to request modifications to this investment policy as they may deem necessary and/or appropriate under the circumstances.

VIII. EVALUATION OF INVESTMENT MANAGERS:

An investment manager engaged by the Investment Committee will be evaluated, at least every six months, based upon the following criteria:


1. Ability to exceed the performance objectives as outlined in this policy or in the written agreement between the investment manager and the Investment Committee or as determined by the Investment Committee from time to time.
2. Adherence to the philosophy and style of investment decision-making as articulated to the Investment Committee at the time the investment manager was retained.
3. Continuity of key personnel and ownership of the investment manager. Such key personnel shall be determined upon the retention of the investment manager.

An investment manager engaged to manage Solix funds shall immediately notify Solix representatives in writing of any material changes in its investment outlook, strategy, portfolio structure, firm ownership, or senior personnel responsible for the day-to-day decision-making on Solix investment portfolios.




Fidelity Investments

Founded in 1946 by Mr. Edward Johnson II, Fidelity Investments is one of the world's largest providers of financial services, with custodied assets of \$2.7 trillion, including managed assets of \$1.3 trillion, of which \$312 billion is invested in money market mutual funds. Fidelity offers investment management, retirement planning, brokerage, human resources and benefits outsourcing services to 22 million individuals and institutions as well as through 5,500 financial intermediaries. The firm is the largest mutual fund company in the United States, the No. 1 provider of workplace retirement savings plans, and one of the largest fund supermarkets and a leading online brokerage firm. Fidelity is headquartered in Boston, and employs more than 38,000 people in the United States and Canada.



Fidelity Management & Research Company (FMR) acts as the investment advisor of Fidelity mutual funds and it is registered as an investment advisor with the Securities and Exchange Commission under the Investment Advisor Act of 1940. Fidelity Institutional Money Management in Merrimack, New Hampshire, serves as sub-advisor for each fund. Fidelity Institutional Money Management is primarily responsible for choosing investments for each fund.

Founded in 1979, Fidelity Investments Institutional Services company, Inc. (FIIS) distributes Fidelity products, programs and services through a variety of institutions, including banks, insurance companies, broker/dealers, pension fund administrators, financial planners, and independent trust companies as well as law firms and corporations.



Merrill Lynch Investment Managers

Merrill Lynch Investment Managers (MLIM) was established in 1976 to provide an array of investment products to retail and institutional clients. MLIM is a wholly owned subsidiary of Merrill Lynch & Co., Inc. (ML & Co) and certain other Merrill Lynch entities that are broker-dealers, financial advisors, investment bankers or otherwise involved in the financial services or investment industry. MLIM is operated independently from the Merrill Lynch broker-dealer and investment banking entities, and renders independent investment advice.

MLIM's asset management activities are important to ML & Co.'s overall efforts to provide its global client base with a diverse and full range of financial services. MLIM's main objective is to be the investment manager of choice for institutional and retail clients worldwide. They provide a variety of products across asset classes, styles, and philosophies to meet a wide range of investment objectives. MLIM strives for investment excellence and superior client service across its product offerings and adhere to specific measurable investment and risk guidelines.

As an active participant in the fixed income markets, Merrill Lynch Investment Managers and its affiliates have over \$518 billion in assets as of March 31, 2002 of which approximately \$252 billion represents fixed income funds. Merrill Lynch Investment Managers' fixed income portfolio management team has been working together for more than ten years. Their primary objective is to meet the client's return expectations while minimizing risk, preserving capital and protecting the client during market declines. They seek consistency in their returns over time, especially in the context of the portfolio's performance relative to an appropriate benchmark.

The MLIM-Americas fixed income research staff alone (both taxable & tax-exempt investments) comprises of 45 research analysts organized into six teams:

- Investment Grade Industrials & Utility Research (6 analysts)
- Investment Grade Financial Institutions Research (5 analysts)
- Asset Backed Securities Research (5 analysts)
- Applied (Quantitative) Research (4 analysts)
- Non Investment Grade (12 analysts)
- Tax-Exempt (Municipal) Research (12 analysts)

The analytical team approaches all investments from a "relative value" perspective. This means identifying investment opportunities that offer the best relative value in terms of "total return" (income as well as price appreciation), with a keen sense for the direction of a company's credit quality. MLIM analysts utilize a "top down" approach to the research process, one that is structured and systematic. The unique feature of MLIM's fixed income style is its emphasis on using multiple value-added strategies in a measured and diversified manner. This approach has resulted in consistent performance, and most notably, limited downside volatility over any period.

MLIM is one of the world's largest investment management houses. Its aim is to build the premier global investment management business through a combination of consistent long-term performance, innovative product solutions and service of the highest level. They aim to provide their clients with a broad platform of investment products across all geographic and asset classes and to manage money for a full range of institutional, retail, defined contribution and private clients around the world.

AIM Investments

AIM Investments is one of America's leading investment management firms, providing support to advisors to help their clients build and protect wealth. AIM offers a diversified suite of investment solutions including mutual funds, exchange-traded funds, retirement products, separately managed accounts for high-net-worth and institutional investors, annuities, cash management, college savings plans and offshore products. A subsidiary of U.K.-based INVESCO PLC, which is among the world's largest independent investment managers, AIM leverages the global expertise of INVESCO investment professionals worldwide.

As part of INVESCO PLC, one of the world's largest and most diversified global investment management companies, AIM draws on the strength of INVESCO PLC's worldwide investment resources to deliver best-in-class capabilities from specialized investment teams. These resources, combined with AIM's established distribution channels, enable us to partner with financial intermediaries to deliver individualized investment solutions to our clients on a global scale.

Solutions characterized by value ...

- **Disciplined investment processes.** Products are built on clearly articulated investment disciplines aligned with client expectations and underpinned by diligent oversight and rigorous quality control.
- **Specialized expertise.** Investment teams—drawn from our diverse investment centers—are designed around asset class, product and regional proficiencies. This focused approach allows our investment professionals to concentrate on their respective areas of expertise.
- **Diversified strategies.** We apply our specialized expertise to a broad range of investment strategies that includes all major equity, fixed-income and alternative asset classes, even exchange-traded funds (ETFs).
- **Multiple delivery vehicles.** Mutual funds, ETFs and separate accounts are just some of the ways we package our investment strategies to meet your needs.
- **Global footprint.** Through far-reaching operations and strong distribution, we're able to bring the best of INVESCO PLC to local markets around the globe.

And governed by process

AIM's products are based on well-defined processes that are strictly adhered to by the investment teams. To help ensure quality and consistency, local chief investment officers diligently oversee every investment discipline. And although the processes vary based on the unique characteristics of each product, all are driven by five key tenets:

- **An investment philosophy** providing a clear statement of beliefs about the investment opportunity and supported by history and theory.
- **A process** grounded in sound financial and economic theory.
- **Highly qualified people** who are specialists in their disciplines.
- **Products** designed to meet client demand and provide an attractive risk-reward profile.
- **Performance** that's derived from expected sources, competitive and within product specifications.

**SAMPLE UNIVERSAL SERVICE FUND
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(in thousands)**

ASSETS	<u>2006</u>	<u>2005</u>
Current Assets:		
Cash and cash equivalents	\$ 437	\$ 335
Accounts receivable - assessments, net of allowance for doubtful accounts of \$3 in 2006 and \$3 in 2005	115	73
TOTAL ASSETS	<u><u>\$ 552</u></u>	<u><u>\$ 408</u></u>
 LIABILITIES AND FUND NET ASSETS		
Current Liabilities:		
Payable to service providers	\$ 129	\$ 128
Payable to contributors	3	3
Deferred revenue	-	7
Accounts payable and accrued expenses	35	17
Total Liabilities	<u><u>167</u></u>	<u><u>155</u></u>
 Fund Net Assets - Unrestricted	 385	 253
 TOTAL LIABILITIES AND FUND NET ASSETS	 <u><u>\$ 552</u></u>	 <u><u>\$ 408</u></u>

The Notes to Financial Statements are an integral part of these statements.

SAMPLE UNIVERSAL SERVICE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(in thousands)

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Assessments	\$ 974	\$ 906
Total Operating Revenues	<u>974</u>	<u>906</u>
 Operating Expenses:		
Amounts paid and due to service providers	770	770
Administrative costs	91	71
Total Operating Expenses	<u>861</u>	<u>841</u>
 Operating Gain	113	65
 Non-Operating Revenue:		
Interest Income	<u>19</u>	<u>8</u>
 Net Increase in Fund Net Assets - Unrestricted	132	73
 Fund Net Assets - Unrestricted, Beginning of Year	<u>253</u>	<u>180</u>
 Fund Net Assets - Unrestricted, End of Year	<u><u>\$ 385</u></u>	<u><u>\$ 253</u></u>

The Notes to Financial Statements are an integral part of these statements.

SAMPLE UNIVERSAL SERVICE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(in thousands)

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Receipts from contributors	\$ 933	\$ 857
Payments to programs	(770)	(770)
Payments to fund manager	(79)	(71)
Payments for general administration	-	-
Net cash provided by operating activities	<u>84</u>	<u>16</u>
Cash Flows from Investing Activities:		
Interest income	18	8
Net cash provided by investing activities	<u>18</u>	<u>8</u>
Net Increase in Cash and Cash Equivalents	102	24
Cash and Cash Equivalents, Beginning of Period	<u>335</u>	<u>311</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ 437</u></u>	<u><u>\$ 335</u></u>
Reconciliation of Net Cash Provided by Operating Activities:		
Operating Gain	\$ 113	\$ 65
Changes in Assets and Liabilities:		
Receivables	(42)	(41)
Payables to contributors	-	(15)
Deferred revenue	(7)	7
Accounts payable and accrued expenses	<u>20</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 84</u></u>	<u><u>\$ 16</u></u>

The Notes to Financial Statements are an integral part of these statements.

* SAMPLE PROPRIETARY *

SAMPLE UNIVERSAL SERVICE FUND

STATEMENT OF FUND PERFORMANCE

PREPARED BY SOLIX, Inc.

	Monthly Activity For Jun 07	Year to date results for FY 1/07 - 12/07
<u>ASSESSMENT/REVENUE</u>		
CATEGORY 2 ASSESSMENTS	\$30,374.65	\$211,996.76
CATEGORY 1 ASSESSMENTS	\$41,545.92	\$264,686.56
OUT OF PERIOD ADJUSTMENTS	(\$21.02)	\$118,569.85
LATE PAYMENT CHARGES	\$1,100.00	\$23,214.52
INTEREST INCOME	\$2,714.21	\$13,156.23
<u>TOTAL REVENUE</u>	<u>\$75,713.76</u>	<u>\$631,623.92</u>
<u>DISBURSEMENTS</u>		
USF SUPPORT	\$64,135.00	\$384,810.00
EXTERNAL AUDIT FEES	\$0.00	\$0.00
PROGRAM ADMINISTRATION	\$6,290.00	\$37,740.00
WRITE-OFF/BAD DEBT	\$0.00	\$0.00
<u>TOTAL DISBURSEMENTS</u>	<u>\$70,425.00</u>	<u>\$422,550.00</u>
<u>OPERATING SURPLUS/DEFICIT</u>	<u>\$5,288.76</u>	

FUND BALANCE AS OF:

June 30, 2007

Opening Balance	\$593,377.62
Operating Surplus/Deficit For 6/07	\$5,288.76
Closing Fund Balance	\$598,666.38

- PRELIMINARY -

8/10/2007

* SAMPLE PROPRIETARY *

SAMPLE UNIVERSAL SERVICE FUND
STATEMENT OF FUND PERFORMANCE
PREPARED BY SOLIX, Inc.

	Monthly Activity For Jun 07	Year to date results for FY 1/07 - 12/07
<u>ASSESSMENT/REVENUE</u>		
CATEGORY 2 ASSESSMENTS	\$30,374.65	\$211,996.76
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<u>OPERATING SURPLUS/DEFICIT</u>	<u>\$5,288.76</u>	

FUND BALANCE AS OF:	June 30, 2007
Opening Balance	\$593,377.62
Operating Surplus/Deficit For 6/07	\$5,288.76
Closing Fund Balance	\$598,666.38

Appendix 7

Solix USF Testimony, Analysis and Presentations

Testimony

Eric Sequin – April, 2007 testimony before the Oklahoma Corporation Commission regarding a request for increased funding from the Oklahoma High Cost Fund. In Oklahoma, the High Cost Fund and the OUSF are separate mechanisms but the analysis of high cost funding requests is directly applicable to universal service funding analysis.

Eric Sequin – March, 2006 testimony before the Oklahoma Corporation Commission regarding establishment of the 2006/2007 Fiscal Year Oklahoma Universal Service Fund assessment factor.

Steven Haas – November, 1998 testimony before the Wyoming Public Service Commission in support of modifying the timing of fund collections and disbursements and increasing the assessment factor to improve the financial stability of the fund.

Presentations

Steven Haas – June, 2002 presentation to the North Dakota Regulatory Reform Review Commission (a committee of state legislators and PUC Commissioners formed to evaluate the feasibility of establishing a state telecom USF), providing an overview of state universal service funds and reviewing characteristics of successful state funds.

13
C
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF
JOYCE E. DAVIDSON, DIRECTOR OF THE
PUBLIC UTILITY DIVISION, OKLAHOMA
CORPORATION COMMISSION, SEEKING TO
ESTABLISH AN ANNUAL OUSF ASSESSMENT
FOR THE FISCAL YEAR BEGINNING JULY 1, 2007

CAUSE NO. PUD 200700038

FILED
APR 05 2007

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA



PREFILED TESTIMONY

OF

ERIC D. SEGUIN

PREFILED TESTIMONY

OF

ERIC D. SEGUIN

Cause No. PUD 200700038

1 Q: Please state your name and business address.

2 A: My name is Eric Seguin and my business address is 580 Jim Thorpe Building, Oklahoma
3 City, Oklahoma 73105.

4 Q: What is your occupation and who is your employer?

5 A: I am the Chief of Telecom in the Public Utility Division (PUD) of the Oklahoma Corporation
6 Commission (OCC or Commission).

7 Q: Have you previously testified before this Commission and have your credentials as an expert
8 been accepted?

9 A: Yes.

10 Q: What are your responsibilities in connection with the Application in Cause No. PUD
11 200700038, which proposes to establish the annual Oklahoma Universal Service Fund
12 (OUSF or Fund) assessment for the fiscal year beginning July 1, 2007?

13 A: I am responsible for calculating the annual OUSF assessment factor for the fiscal year
14 beginning July 1, 2007. Pursuant to OAC 165:59-3-13 (a), the funding level is required to be
15 adjusted by the Commission, as necessary or on an annual basis, and billed to the
16 telecommunications carriers required to contribute to the Fund under OAC 165:59-3-11.

1 Q: Please describe the purpose of this Cause.

2 A: The purpose of this cause is to request that the Commission issue an Order establishing the
3 annual OUSF assessment level and to address any OUSF related issues.

4 Q: What is the purpose of your testimony in this matter before the Commission today?

5 A: The primary purpose of my testimony is to provide the Commission with the data analysis
6 and calculations that were considered in developing the recommended OUSF funding level
7 and contribution factor to be effective July 1, 2007. The recommendation identifies the
8 OUSF contribution factor for the period of July 2007 through June 2008 (Schedules ES-1
9 and ES-2).

10 Q: Please provide some background about the OUSF.

11 A: The OUSF was established pursuant to the requirements of the Oklahoma
12 Telecommunications Act of 1997 (HB1815) and OAC 165:59. The OUSF provides funding
13 to ensure the availability of universal services at rates that are reasonable and affordable.
14 The programs currently funded by the OUSF are Primary USF, Special USF, Lifeline and
15 payments to the Attorney General for telecommunications-related activities. The OUSF is
16 funded in a competitively neutral manner via an assessment, or contribution, charged to all
17 telecommunications carriers providing intrastate retail services in Oklahoma. A carrier's
18 OUSF contribution is calculated by multiplying the authorized OUSF contribution factor by
19 the intrastate retail-billed telecommunications service revenues for both regulated and
20 unregulated services. Carriers may, at their option, recover the OUSF contributions from
21 their customers.

1 Q: Please explain the recommended funding requirement for the period July 2007 through June
2 2008, and the resulting OUSF contribution factor.

3 A: The total funding requirement for the upcoming fiscal year is projected to be \$10,250,639
4 (Schedule ES-1, Line B). The recommended funding level is based primarily upon
5 anticipated support request applications from Telecommunications Service Providers (TSPs),
6 as reported in the carrier responses to the annual data request issued by Solix, Inc., the OUSF
7 Fund Manager. The total funding requirement includes approved OUSF disbursements as
8 well as pending applications. Staff recommends that a carryover balance of \$5,341,385
9 (Schedule ES-2, Line D) be used to offset the upcoming fiscal year funding requirement,
10 resulting in a net funding requirement of \$4,909,254 (Schedule ES-1, Line D) for the
11 upcoming 12-month period. The resulting calculated OUSF contribution factor is 0.28%, as
12 shown on Line F of Schedule ES-1. As a result, after rounding the factor, Staff recommends
13 that the Commission approve a reduction in the contribution factor from its current level of
14 0.40% to 0.30%. At the same time, Staff requests that the Commission allow Staff the
15 discretion to raise the contribution factor to no more than 0.50% to remedy any unexpected
16 shortage of funds that may occur during the upcoming fiscal year.

17 Q: Please explain in greater detail the calculation of the total funding requirement of
18 \$10,250,639 for the upcoming fiscal year.

19 A: As shown on Schedule ES-1, Line A-1, \$250,000 is allocated annually to the Attorney
20 General under the provision of 17 O.S. § 139.104, in support of telecommunications fraud-
21 related legal proceedings. The Fiscal Year (FY) 08 projected amounts shown on Lines A-2

1 through A-4 are based on data request responses provided by carriers and historical trends, in
2 combination with Commission-approved and pending disbursements.

3 Line A-2, in the amount of \$1,466,758, is the projected Lifeline program support requirement
4 based on the number of qualified Lifeline recipients as reported by the TSPs. Each eligible
5 Lifeline customer receives a credit of \$1.17 per month from the OUSF. The projected
6 funding requirement is based on the data request responses received from carriers combined
7 with the actual results from the current fiscal year. While the change in the projection from
8 FY07 to FY08 represents a 21.7% decrease, the FY08 projected funding is actually 20%
9 higher than current fiscal year actual results.

10 Q: Please explain how Staff calculated the FY08 Projected Primary USF requirement shown on
11 Line A-3.

12 A: Based on the data request responses provided by TSPs, along with the existing and pending
13 claims, Staff recommends inclusion of \$3,571,442 for Primary USF for the upcoming 12-
14 month period. Primary USF is generally requested when there is a mandated reduction in
15 revenues or increase in costs, or a loss of federal USF support. Such instances include,
16 among other things, implementation of the Communications Assistance for Law
17 Enforcement Act (CALEA), impacts of the Federal USF Corporate Operations Expense
18 Limitation, and Local Number Portability (LNP) implementation costs.

19 Q: How did you arrive at the FY08 projected amount identified as Special USF shown on Line
20 A-4 of Schedule ES-1?

21 A: The projected Special USF funding is also based on carrier responses to the data request,

1 combined with approved and pending support requests. Staff proposes to include \$5,147,439
2 as the Special USF funding requirement for the upcoming fiscal year. However, the
3 Commission will, on a case-by-case basis, make the final determination of approved support
4 for qualified expenditures based on Staff's review and recommendations. It should be noted
5 that the Special USF projection for FY08 shows a 2.9% reduction from the FY07 projection
6 but like the Lifeline projection, the projection for the upcoming fiscal year represents an
7 increase from the current fiscal year's actual results.

8 Q: Please explain how the information provided by carriers in response to the OUSF data
9 request issued by Solix is used to calculate the total funding requirement.

10 A: Staff reviewed the information provided by carriers in response to the data request. The
11 responses represent the carriers' estimates of projected funding needs for the upcoming fiscal
12 year. Where carriers did not respond to the data request, Solix personnel and/or Staff applied
13 the most current available information to approximate funding needs. The data request
14 responses were then compared to projections from last year and current year actual results in
15 order to develop projections for the various funding requirements.

16 As previously mentioned, a detailed review of specific funding requests for qualified OUSF
17 services will be performed once the requesting carrier files an application. It is important to
18 note that inclusion of the support request projections into the funding requirement does not
19 imply approval of the amounts or serve as an attestation to the appropriateness of any specific
20 funding request. The ultimate review of specific requests for OUSF reimbursement, and any
21 final recommendations made by Staff to the Commission, will be independent of the

1 decisions in this docket.

2 Q: Please explain how the remainders of the line items presented on Schedule ES-1 were
3 derived.

4 A: I will explain the remaining FY08 projected items line-by-line.

5 Line A-5: \$240,000 is budgeted to reimburse Solix, Inc. for OUSF management
6 services for the upcoming fiscal year. Under the terms of its contract with the
7 Commission, Solix provides monthly billing, collection, investment,
8 disbursement, account reconciliation/support true-up, and financial reporting
9 services for the OUSF. In addition to the monthly management fee, Solix
10 will bill the OUSF for variable expenses for mailing certified letters
11 associated with its OUSF contributor delinquency procedures, assisting in
12 various aspects of OUSF audits, or for mid-period recalculations of the OUSF
13 contribution factor. The budgeted amount is consistent with the terms and
14 provisions of the contract with Solix as well as estimated variable expenses.

15 Line A-6: \$50,000 is budgeted to reimburse the PUD for undertaking and coordinating
16 administrative activities with Solix, for Staff training, and for conducting
17 periodic reviews of contributions and disbursements. Although Staff used
18 very little of this budget during FY07, the FY08 projection was left
19 unchanged in anticipation of, among other things, potential increased costs
20 related to the annual OUSF carrier audits. Reimbursable expenses in this
21 category include activities such as the following:

- 1) Periodic Staff meetings with Solix staff in order to monitor the functions being performed by Solix and to coordinate the activities necessary to administer the OUSF.
- 2) Training expenses for activities associated with PUD Staff's OUSF oversight responsibilities such as attendance at regulatory meetings and conferences to provide Staff with current information regarding federal and state regulatory actions and the potential implications for the OUSF.
- 3) As described in OAC 165:59-3-30 (4) & (5), the conduct of administrative functions, including:
 - a. Periodic audits of contributors to the OUSF, including the appropriate recovery of contributions from ratepayers;
 - b. Assessing the appropriateness of the OUSF funding requests;
 - c. Periodic audits of OUSF disbursements;
 - d. Conducting additional reviews to monitor and assure that all sources of funds received by the carriers, including federal funds, are used only for the intended purposes in order to fulfill the responsibilities of state ETC certification as required by the FCC; and
 - e. Performing other OUSF reviews as deemed appropriate by the Commission.

1 Line A-7: \$25,000 is budgeted to reimburse an independent accounting firm for the
2 annual external audit of the Fund. This amount represents no increase from
3 the current fiscal year for the audit of the OUSF Manager's operations and
4 controls. PUD Staff may assist in conducting this audit, as provided for in
5 OAC 165:59-3-32 (a) & (b).

6 Line A-8: A credit of (\$500,000) towards the funding requirement is budgeted to
7 account for the projected investment interest income earned. The interest
8 income is based on past experience of investment returns while adjusting for
9 the anticipated available investment balance going forward. The interest
10 income represents a reduction in, or offset to, the total funding requirement
11 for the upcoming fiscal year.

12 Line B: After taking into account the programmatic support estimates and interest
13 income offset, the total estimated funding requirement for the 2008 Fiscal
14 Year is \$10,250,639.

15 Line C: Staff proposes to carry over a credit of (\$5,341,385) to offset the funding
16 requirements for the upcoming fiscal year. The carryover balance from prior
17 fiscal years consists of funds available for use as a result of excess interest
18 earnings, prior year expense under runs and a planned, methodical reduction
19 in the available fund balance (see Schedule ES-2).

20 Line D: The Net Estimated Funding Requirement is calculated at \$4,909,254. This
21 represents the total funding needed to be collected from OUSF contributors during the

1 upcoming fiscal year.

2 Q: How is the contribution factor for FY08 calculated?

3 A: In order to calculate the contribution factor, Staff divided the Net Estimated Funding
4 Requirement of \$4,909,254 (Schedule ES-1, Line D) by the FY08 Total Projected Intrastate
5 Retail Revenues of \$1,759,172,776 (Schedule ES-1, Line E), resulting in a Calculated
6 Contribution Factor of 0.28% (Schedule ES-1, Line F). Solix calculates the projected
7 intrastate retail revenues by annualizing current fiscal year-to-date reported OUSF revenues,
8 after accounting for any known adjustments. As shown on Schedule ES-1, Line G, Staff
9 recommends rounding the FY08 Recommended Contribution Factor to 0.30%.

10 Q: In your opinion, what overall policy considerations should the Commission consider in
11 establishing the level of funding for the upcoming fiscal year?

12 A: Staff believes that the OUSF funding should be established at a reasonable level, sufficient to
13 meet the objectives and intent of HB1815. The cost of the OUSF is ultimately borne by the
14 Oklahoma ratepayers so the interests of the general public should be considered and
15 protected. As such, the Fund needs to be sized appropriately to provide support for the
16 required and allowable services but should not be set at an excessive level that results in an
17 undue burden on ratepayers.

18 Q: What is Staff's recommended contribution factor to be used for the fiscal year starting July 1,
19 2007?

20 A: Staff recommends establishing the FY08 OUSF contribution factor at 0.30% of intrastate
21 retail billed revenues. The proposed 25% reduction in the contribution factor from 0.40% to

1 0.30% represents the first such reduction in several years, however, Staff is confident that a
2 methodical and controlled reduction in the OUSF fund balance represents prudent
3 management of ratepayer funds and a judicious exercise of the Commission's fiduciary
4 responsibilities.

5 At the same time, Staff also requests that the Commission allow Staff the discretion to raise
6 the contribution factor, up to a maximum level of 0.50%, to remedy any unexpected shortage
7 of funds that may occur during the upcoming fiscal year. This approach is consistent with
8 the Commission's decisions in previous fiscal years and affords Staff with reasonable
9 flexibility to address funding issues that may arise.

10 Q: Does this conclude your testimony?

11 A: Yes, but Staff reserves the right to supplement or amend this testimony.

Oklahoma Universal Service Fund
Calculation of OUSF Contribution Factor for FYE 6/30/2008
Cause No. PUD 200700038

ES-1

A. FUNDING REQUIREMENT:		FY07 ACTUAL ¹	FY07 PROJECTION	FY07/FY08 ACTUAL TO PROJECTION	FY08 PROJECTION	FY07/FY08 CHANGE IN PROJECTION
1. Attorney General ¹		\$ 250,000	\$ 250,000	100.0%	\$ 250,000	0.0%
2. Lifeline ²		\$ 1,126,094	\$ 1,872,294	60.1%	\$ 1,466,758	-21.7%
3. Primary USF ²		\$ 3,026,141	\$ 3,545,639	85.3%	\$ 3,571,442	0.7%
4. Special USF ^{2,3}		\$ 4,679,490	\$ 5,302,188	88.3%	\$ 5,147,439	-2.9%
5. Solix Management Contract Fees ⁴		\$ 227,000	\$ 250,000	90.8%	\$ 240,000	-4.0%
6. PUD Administrative Costs ⁵		\$ 3,370	\$ 50,000	6.7%	\$ 50,000	0.0%
7. External Audit		\$ 19,000	\$ 25,000	76.0%	\$ 25,000	0.0%
8. Interest Income		\$ (877,359)	\$ (500,000)	175.5%	\$ (500,000)	0.0%
B. TOTAL FUNDING REQUIREMENT		\$ 8,453,736	\$ 10,795,121	78.3%	\$ 10,250,639	-5.0%
C. CARRYOVER FROM PRIOR FISCAL YEARS⁶						
D. NET ESTIMATED FUNDING REQUIREMENT			\$ (4,190,431)		\$ (5,341,385)	27.5%
			\$ 6,604,690		\$ 4,909,254	-25.7%
E. TOTAL PROJECTED INTRASTATE RETAIL REVENUES			\$ 1,757,827,895		\$ 1,759,172,776	0.1%
F. CALCULATED CONTRIBUTION FACTOR			0.38%		0.28%	-25.7%
G. RECOMMENDED CONTRIBUTION FACTOR			0.40%		0.30%	-25.0%

¹ Per House Bill 1815.

² Based on carrier responses to OUSF Support Data Request issued by Solix in February 2007.

³ Prior year data responses were used for those carriers that did not respond to the OUSF Support Data Request.

⁴ OUSF management contract fees plus allowance for variable travel and expenses.

⁵ OUSF Administrator oversight, training, travel and expenses.

⁶ Available funds used to offset upcoming obligations based on excess interest earned, expense under runs and reduction of fund balance.

⁷ Actual FY07 Y-T-D results annualized.

4/5/2007

Oklahoma Universal Service Fund
Calculation of OUSF Carry Over Balance For FYE 6/30/2008
Cause No. PUD 200700038

A. FUNDING REQUIREMENTS:	Projected Amounts	Annualized Actuals	Carry Over Balance
	For FYE 6/30/2007	For FYE 6/30/2007	to FYE 6/30/08
1. Attorney General	\$ 250,000	\$ 250,000	\$ -
2. Lifeline	\$ 1,872,294	\$ 1,126,094	\$ 746,200
3. Primary USF	\$ 3,545,639	\$ 3,026,141	\$ 519,498
4. Special USF	\$ 5,302,188	\$ 4,679,490	\$ 622,698
5. NECA Management Contract Fees	\$ 250,000	\$ 227,000	\$ 23,000
6. PUD Administrative Costs	\$ 50,000	\$ 3,370	\$ 46,630
7. External Auditing	\$ 25,000	\$ 19,000	\$ 6,000
8. Interest Income	\$ (500,000)	\$ (877,359)	\$ 377,359
B. TOTAL FUNDING REQUIREMENT	\$ 10,795,121	\$ 8,453,736	\$ 2,341,385
C. REDUCTION IN OUSF FUND BALANCE			
			\$ 3,000,000
D. TOTAL AVAILABLE TO OFFSET UPCOMING FY OBLIGATIONS			
			\$ 5,341,385

Notes:

¹ Actuals through January 2007, and projected from February through June 2007.

² Represents prior fiscal year budget/actual variance.

³ Used to reduce upcoming FY obligations and to draw down the available fund balance.

18
BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF
JOYCE E. DAVIDSON, DIRECTOR OF THE
PUBLIC UTILITY DIVISION, OKLAHOMA
CORPORATION COMMISSION, SEEKING TO
ESTABLISH AN ANNUAL OUSF ASSESSMENT
FOR THE FISCAL YEAR BEGINNING JULY 1, 2006

CAUSE NO. PUD 200500503

FILED
MAR 16 2006

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA



PREFILED TESTIMONY

OF

ERIC D. SEGUIN

PREFILED TESTIMONY

OF

ERIC D. SEGUIN

Cause No. PUD 200500503

1 Q: Please state your name and business address.

2 A: My name is Eric Seguin and my business address is 580 Jim Thorpe Building, Oklahoma
3 City, Oklahoma 73105.

4 Q: What is your occupation and who is your employer?

5 A: I am the Chief of Telecom in the Public Utility Division (PUD) of the Oklahoma Corporation
6 Commission (OCC or Commission).

7 Q: What is your educational background and professional experience?

8 A: I received a Bachelor of Arts degree in Economics/Criminology from Rutgers University, a
9 Bachelor of Arts degree in Accounting from St. Leo University, and a Master of Business
10 Administration in Finance from the College of William & Mary. I am currently pursuing my
11 PhD and I am also a Certified Fraud Examiner.

12 My prior work experience includes financial analysis, tariff forecasting, data management,
13 internal and external financial reporting, analysis of federal universal service policies, and
14 implementation and operational management of numerous state universal service funds. I
15 have been employed as the Chief of Telecom with the Commission since January 2004, with
16 primary responsibility for designing and implementing policies and procedures related to the

1 regulation of providers of telecommunications service operating in the State of Oklahoma.

2 Q: Have you previously testified before this Commission?

3 A: No.

4 Q: Are you requesting that the Commission accept your credentials as an expert in the areas in
5 which you are testifying?

6 A: Yes.

7 Q: What is your responsibility in connection with the Application in Cause No. PUD
8 200500503, which proposes to establish the annual Oklahoma Universal Service Fund
9 (OUSF or Fund) assessment for the fiscal year beginning July 1, 2006?

10 A: I am responsible for calculating the annual OUSF assessment factor for the fiscal year
11 beginning July 1, 2006. Pursuant to OAC 165:59-3-13 (a), the funding level is required to be
12 adjusted by the Commission, as necessary or on an annual basis, and billed to the
13 telecommunications carriers required to contribute to the fund under OAC 165:59-3-11.

14 Q: Please describe the purpose of this Cause.

15 A: The purpose is to request that the Commission issue an Order establishing the annual OUSF
16 assessment level for the fiscal year beginning July 1, 2006, and to address any OUSF related
17 issues.

18 Q: What is the purpose of your testimony in this matter before the Commission today?

19 A: The primary purpose of my testimony is to provide the Commission with the data analysis
20 and calculations that were considered in developing the recommended OUSF funding level
21 and contribution factor to be effective July 1, 2006. The recommendation identifies the

1 OUSF contribution factor for the period of July 2006 to June 2007 (Schedules ES-1, ES-2,
2 and ES-3).

3 Q: Please provide some background about the OUSF.

4 A: The OUSF was established pursuant to the requirements of the Oklahoma
5 Telecommunications Act of 1997 (HB1815) and OAC 165:59. The OUSF provides funding
6 to ensure the availability of universal services at rates that are reasonable and affordable.
7 The programs currently funded by the OUSF are Primary USF, Special USF, Lifeline and
8 payments to the Attorney General for telecommunications-related activities. The OUSF is
9 funded in a competitively neutral manner via an assessment, or contribution, charged to all
10 telecommunications carriers providing intrastate retail services in Oklahoma. A carrier's
11 OUSF contribution is calculated by multiplying the authorized OUSF contribution factor by
12 the intrastate retail-billed telecommunications service revenues for both regulated and
13 unregulated services. Carriers may, at their option, recover the OUSF contributions from
14 their customers.

15 Q: Please explain the recommended funding requirement for the period July 2006 through June
16 2007, and the resulting OUSF contribution factor.

17 A: **The total funding requirement for the upcoming fiscal year is projected to be**
18 **\$10,795,121 (Schedule ES-1, Line B).** The recommended funding level is primarily based
19 upon anticipated support request applications from Telecommunications Service Providers
20 (TSPs), as reported in the carrier responses to the annual data request issued by Solix, Inc.,
21 the OUSF Fund Manager. The total funding requirement includes approved OUSF

1 disbursements as well as pending applications. Staff recommends that a carryover balance of
2 \$4,190,350 be used to offset the upcoming fiscal year funding requirement, resulting in a net
3 funding requirement of \$6,604,771 for the 12-month period from July 2006 through June
4 2007. These amounts are identified in Schedule ES-1, Lines C and D. The resulting
5 calculated OUSF contribution factor is 0.38%, as shown on Line F. However, Staff
6 recommends that the Commission keep the contribution factor at the same level as the
7 current fiscal year, which is 0.40%. Maintaining the contribution factor at a constant level
8 for another fiscal year will eliminate the need for contributors to revise their tariffs for
9 recovery of the OUSF contributions and maintain continuity. At the same time, Staff
10 requests that the Commission allow Staff the discretion to raise the contribution factor, up to
11 a maximum level of 0.50%, to remedy any shortage of funds that may occur during the
12 upcoming fiscal year.

13 Q: Please explain the calculation of the total funding requirement of \$10,795,121 for the
14 upcoming fiscal year in greater detail.

15 A: As shown on Schedule ES-1, Line A-1, \$250,000 is allocated annually to the Attorney
16 General under the provision of 17 O.S. § 139.104, in support of telecommunications fraud-
17 related legal proceedings. The amounts shown on Lines A-2 through A-4 are based on data
18 request responses provided by carriers, in combination with Commission-approved/pending
19 disbursements (please see Schedule ES-3 for a copy of data request issued by Solix).

20 Q: Please continue with your comments.

21 A: Line A-2 in the amount of \$1,872,294 is the projected Lifeline program support requirement

1 based on the number of qualified Lifeline recipients as reported by the TSPs. This amount is
2 based on the data request responses received from carriers and represents a 33% increase
3 from the prior fiscal year. Each eligible Lifeline customer receives a credit of \$1.17 per
4 month from the OUSF.

5 Q: Please explain how Staff calculated the Primary USF requirement shown on Line A-3.

6 A: Based on the data request responses provided by TSPs to Solix, along with the
7 existing/pending claims, Staff recommends inclusion of \$3,545,639 for Primary USF for the
8 upcoming 12-month period. Primary USF is generally requested when there is a mandated
9 reduction in revenues or increase in costs, or a loss of federal USF support. Such instances
10 include, among other things, implementation of the Communications Assistance for Law
11 Enforcement Act (CALEA), impacts of the Federal USF Corporate Operation Expense
12 Limitation, and Local Number Portability (LNP) costs.

13 Q: How did you arrive at the amount identified as Special USF shown on Line A-4 of Schedule
14 ES-1?

15 A: The projected Special USF funding is also based on carrier responses to the data request,
16 combined with current approved and/or pending support requests. Staff proposes to include
17 \$5,302,188 as the Special USF funding requirement for the upcoming fiscal year. However,
18 the Commission will, on a case-by-case basis, make the final determination of approved
19 support for qualified expenditures based on Staff's review and recommendations.

20 Q: Mr. Seguin, would you please explain how the information provided by carriers in response
21 to the OUSF data request issued by Solix is used to calculate the total funding requirement?

1 A: Staff has completed a preliminary review of the information provided by carriers in response
2 to the data request. The responses represent the carriers' representation of projected funding
3 needs for the upcoming fiscal year. A detailed review of specific funding requests for
4 qualified OUSF services will be performed once the requesting carrier files an application. It
5 should be noted that inclusion of the support request projections into the funding requirement
6 does not imply approval of the amounts or serve as an attestation to the appropriateness of
7 any specific funding requests. The ultimate review of specific requests for OUSF
8 reimbursement, and any final recommendations made by Staff to the Commission, will be
9 independent of the decisions in this docket.

10 Q: Please explain how the remainders of the line items presented on Schedule ES-1 were
11 derived.

12 A: Let me explain the items line-by-line.

13 Line A-5: \$250,000 is budgeted to reimburse Solix, Inc. for OUSF management
14 services for the upcoming fiscal year. Under the terms of the contract with
15 the Commission, Solix provides monthly billing, collection, investment,
16 disbursement, account reconciliation/support true-up, and financial reporting
17 services for the OUSF. In addition to the monthly management fee, Solix
18 will bill the OUSF for variable expenses for mailing certified letters
19 associated with its OUSF contributor delinquency procedures, assisting in
20 various aspects of OUSF audits, or for mid-period recalculations of the OUSF
21 contribution factor. The budgeted amount is consistent with the terms and

1 provisions of the contract with Solix as well as estimated variable expenses.
2 Line A-6: \$50,000 is budgeted to reimburse the PUD for undertaking and coordinating
3 administrative activities with Solix, for Staff training, and for conducting
4 periodic reviews of contributions and disbursements. The budgeted amount
5 for this line item represents a 50% reduction in the level from the prior year.
6 Reimbursable expenses in this category include activities such as the
7 following.

- 8 1) Periodic Staff meetings with Solix staff in order to monitor the
9 functions being performed by Solix and to coordinate the activities
10 necessary to administer the OUSF.
11 2) Training expenses for activities associated with PUD Staff's OUSF
12 oversight responsibilities such as attendance at regulatory meetings
13 and conferences to provide Staff with current information regarding
14 federal and state regulatory actions and the potential implications for
15 the OUSF.
16 3) As described in OAC 165:59-3-30 (4) & (5), the conduct of
17 administrative functions, including:
18 a. Periodic audits of contributors to the OUSF, including the
19 appropriate recovery of contributions from ratepayers;
20 b. Assessing the appropriateness of the OUSF funding requests;
21 c. Periodic audits of OUSF disbursements;

1 d. Conducting additional reviews to monitor and assure that all
2 sources of funds received by the carriers, including federal
3 funds, are used only for the intended purposes in order to fulfill
4 the responsibilities of state ETC certification as required by the
5 FCC; and

6 e. Performing other OUSF reviews as deemed appropriate by the
7 Commission.

8 Line A-7: \$25,000 is budgeted to reimburse an independent accounting firm for the
9 annual external audit of the Fund. This amount represents no increase from
10 the prior fiscal year for the audit of the OUSF Manager, Solix, Inc. PUD
11 Staff may assist in conducting this audit, as provided for in OAC 165:59-3-32
12 (a) & (b).

13 Line A-8: A credit of (\$500,000) towards the funding requirement is budgeted to
14 account for the projected investment interest income earned. The interest
15 income is based on past experience of investment returns while adjusting for
16 the anticipated available investment balance going forward. The interest
17 income represents a reduction in, or offset to, the total funding requirement
18 for the upcoming fiscal year.

19 Line B: After taking into account the programmatic support estimates and interest
20 income offset, the total estimated funding requirement for the upcoming
21 fiscal year ending June 30, 2007 is \$10,795,121.

1 Line C: Staff proposes to carry over a credit of (\$4,190,350) to offset the funding
2 requirements for the upcoming fiscal year. The carryover balance from prior
3 fiscal years consists of funds available for use as a result of excess interest
4 earnings, prior year expense under runs and a methodical reduction in the
5 available fund balance (see Schedule ES-2).

6 Line D: The net estimated funding requirement is calculated at \$6,604,771. This
7 represents the total amount needed to be collected from ratepayers during the
8 fiscal year.

9 Q: How is the contribution factor for the Fiscal Year Ending June 2007 calculated?

10 A: In order to calculate the contribution factor, Staff divided the net funding requirement of
11 \$6,604,771 (Schedule ES-1, Line D) by the projected 7/06-6/07 intrastate retail-billed
12 revenue of \$1,757,827,895 (Line E), resulting in a calculated contribution factor of 0.38%
13 (Line F). Solix, Inc. calculates the projected intrastate retail-billed revenue by annualizing
14 current fiscal year-to-date reported OUSF revenues, after accounting for any known
15 adjustments.

16 Q: In your opinion, what overall policy considerations should the Commission consider in
17 establishing the level of funding for the upcoming fiscal year?

18 A: Staff believes that the OUSF funding should be established at a reasonable level, sufficient to
19 meet the objectives and intent of HB1815. The cost of the OUSF is ultimately borne by the
20 Oklahoma ratepayers so the interests of the general public should be considered and
21 protected. The size of the Fund needs to be sufficient to provide support for the required and

1 allowable services but should not be established at a level that results in an excessive burden
2 on ratepayers.

3 Q: What is Staff's recommended allocation factor to be used for the fiscal year starting July
4 2006?

5 A: As shown on Schedule ES-1, Line G, Staff recommends holding the contribution factor at the
6 current level of 0.40% due to the minimal difference between the calculated and current
7 factors. Maintaining the current contribution factor eliminates the need for carriers to revise
8 their tariffs and is a prudent approach given that Staff is already proposing to collect
9 approximately \$4.2 million less than projected disbursements during the fiscal year by
10 utilizing the recommended carryover amount. Staff also requests that the Commission allow
11 Staff the discretion to raise the contribution factor, up to a maximum level of 0.50%, to
12 remedy any shortage of funds that may occur during the upcoming fiscal year. This approach
13 is consistent with the Commission's decisions in previous fiscal years and affords Staff with
14 reasonable flexibility to address funding issues that may arise.

15 Q: Does this conclude your testimony?

16 A: Yes, but Staff reserves the right to supplement or amend this testimony.

Oklahoma Universal Service Fund
Calculation of OUSF Contribution Factor for FYE 6/30/2007
Cause No. PUD 200500503

ES-1

A. FUNDING REQUIREMENT:		ANNUAL CHANGE	FYE 6/30/2007 BUDGET	FYE 6/30/2006 BUDGET
1. Attorney General ¹		0.0%	\$ 250,000	\$ 250,000
2. Lifeline ²				
3. Primary USF ²		33.4%	\$ 1,872,294	\$ 1,403,730
4. Special USF ^{2,3}		16.7%	\$ 3,545,639	\$ 3,038,240
5. Solix Management Contract Fees ⁴		2.1%	\$ 5,302,188	\$ 5,190,902
6. PUD Administrative Costs ⁵		0.0%	\$ 250,000	\$ 250,000
7. External Audit		-50.0%	\$ 50,000	\$ 100,000
8. Interest Income		0.0%	\$ 25,000	\$ 25,000
B. TOTAL FUNDING REQUIREMENT		100.0%	\$ (500,000)	\$ (250,000)
		7.9%	\$ 10,795,121	\$ 10,007,872
C. CARRYOVER FROM PRIOR FISCAL YEARS⁶				
D. NET ESTIMATED FUNDING REQUIREMENT		146.0%	\$ (4,190,350)	\$ (1,703,293)
		-20.5%	\$ 6,604,771	\$ 8,304,579
E. TOTAL PROJECTED INTRASTATE RETAIL REVENUES				
F. CALCULATED CONTRIBUTION FACTOR		1.9%	\$ 1,757,827,895	\$ 1,724,639,580
		-22.0%	0.38%	0.48%
G. RECOMMENDED CONTRIBUTION FACTOR		0.0%	0.40%	0.40%

¹ Per House Bill 1815.

² Based on carrier responses to OUSF Support Data Request issued by Solix on 1/6/06.

³ Prior year data responses were used for those carriers that did not respond to the OUSF Support Data Request.

⁴ OUSF management contract fees plus allowance for variable travel and expenses.

⁵ OUSF Administrator oversight, training, travel and expenses.

⁶ Available funds used to offset upcoming obligations based on excess interest earned, expense under runs and reduction of fund balance.

3/15/2006

Oklahoma Universal Service Fund
Calculation of OUSF Carry Over Balance For FYE 6/30/2007
Cause No. PUD 200500503

A. FUNDING REQUIREMENTS:	Budgeted Amount	Actual/Projected	Carry Over Balance
	For FYE 6/30/2006	For FYE 6/30/2006	to Upcoming FY
1. Attorney General	\$ 250,000	\$ 250,000	\$ -
2. Lifeline	\$ 1,403,730	\$ 588,830	\$ 814,900
3. Primary USF	\$ 3,038,240	\$ 3,161,042	\$ (122,802)
4. Special USF	\$ 5,190,902	\$ 5,321,596	\$ (130,694)
5. NECA Management Contract Fees	\$ 250,000	\$ 215,000	\$ 35,000
6. PUD Administrative Costs	\$ 100,000	\$ 3,370	\$ 96,630
7. External Auditing	\$ 25,000	\$ 25,000	\$ -
8. Interest Income	\$ (250,000)	\$ (747,316)	\$ 497,316
B. TOTAL FUNDING REQUIREMENT	\$ 10,007,872	\$ 8,817,522 ¹	\$ 1,190,350 ²
C. REDUCTION IN OUSF FUND BALANCE			
			\$ 3,000,000 ³
D. TOTAL AVAILABLE TO OFFSET UPCOMING FY OBLIGATIONS			
			\$ 4,190,350

Notes:

¹ Actuals through December 2005, and projected from January through June 2006.

² Represents prior fiscal year budget/actual variance.

³ Used to reduce upcoming FY obligations and to draw down the available fund balance.

Solix, Inc.
Oklahoma Universal Service Fund
Development of FY 7/06-6/07 Assessment Factor

TO: All Telecommunications Carriers Offering Services in Oklahoma

DATE: January 6, 2006

SUBJECT: **Cause No. PUD 2005-00503**

DUE DATE: February 06, 2006

Listed below is the information that is required to establish the annual funding for the Oklahoma Universal Service Fund (OKUSF) for the fiscal year beginning July 1, 2006. Each company is requested to provide its best estimate of the total funding required to support the OKUSF during the twelve-month period. It is very important that each company identify all items that it believes could require funding support during this period. In addition to the information identified by PUD Staff, please include all additional information or items that you feel are supportable by the OKUSF. Forms and worksheets have been provided. Questions should be directed to Lori Tasca (ltasca@solixinc.com) at Solix, Inc. (Solix) at (973) 581-5393.

Required Documentation

Information/back-up for all provided amounts should include, but not be limited to, the following:

- Identify the specific rule from Chapter 59 and section of H.B. 1815 that you believe supports your conclusion that funding from the OKUSF is appropriate.
- Each company should quantify the **annual support amount** required for each item.
- Number and cost estimate ranges should be avoided except in instances where the varying assumptions driving the upper and lower limits of the number and cost estimate ranges are clearly stated.
- If information is requested for served exchanges, please provide a list of those exchanges.
- Please be responsive to all questions, if a question is not applicable, please state "N/A".
- **For each category of support requested, please include and show separately the annual support amount that your company is currently receiving.**
- Identify the actions taken by your company to receive reimbursement from federally available funds.

CATEGORIES:

Lifeline

Respondent should note that the information provided should be submitted on the attached form provided.

Question 1 – Provide current information **that has not been approved** by the Commission as of the date that the Support Data Request is being completed.

- **Identify Year of Contribution** – Provide the year for which recovery of contributions is being requested
- **# of Eligible Lifeline Customers** – Provide the number of lifeline customers that are eligible to receive assistance in your area
- **# of Estimated Lifeline Customers** – Provide the number of estimated lifeline customers that are participating in the program in your area
- **Credit Per Customer** - \$1.17 is allowed for each customer
- **Total Annual Amount** – Provide the annual amount by taking the # of actual Lifeline Customer X \$1.17 X 12 months
- **Additional Information** – Provide any additional information to clarify the request such as date of application to Commission, PUD Cause Number or Order Number

Question 2 – Provide information **that has already been applied for but not yet approved** by the Commission as of the date that the Support Data Request is being completed.

- **Identify Year of Contribution** – Provide the year for which recovery of contributions is being requested
- **# of Eligible Lifeline Customers** – Provide the number of Lifeline customers that are eligible to receive assistance in your area
- **# of Actual Lifeline Customers** – Provide the number of actual Lifeline customers that are participating in the program in the serving exchange
- **Credit Per Customer** - \$1.17 is allowed for each customer
- **Total Annual Amount** – Provide the annual amount by taking the # of actual Lifeline Customer X \$1.17 X 12 months
- **Additional Information** – Provide any additional information to clarify the request such as date of application to Commission, PUD Cause Number or Order Number

Special Universal Services

Respondent should note that the information provided should be submitted on the attached form provided and **all shaded areas are not applicable for reimbursement.**

Question 1 – Provide current information that has not been applied or approved by the Commission as of the date that the Support Data Request is being completed.

- **Internet / # of Entities** – Provide the number of entities for either Libraries or Schools in served exchange
- **Internet / Annual Amount** – Provide the annual amount for either Libraries or Schools in served exchange
- **Toll-Free / # of Entities** – Provide the number of entities for either County Seats, Hospitals, Libraries or Schools in served exchange
- **Toll-Free / Annual Amount** - Provide the annual amount for either County Seats, Hospitals, Libraries or Schools in served exchange
- **Telemedicine / # of Entities** - Provide the number of entities for Hospitals in served exchange
- **Telemedicine / Annual Amount** – Provide the annual amount for Hospitals in served exchange

Please attach a detailed list of entities by name, category of SUSF, # of Access Lines and estimated annual amount for each entity. This information is to be provided on the attached Worksheet #1.

Question 2 – Provide information that have been applied for and already approved by the Commission as of the date that the Support Data Request is being completed.

- **Internet / # of Entities** – Provide the number of entities for either Libraries or Schools in served exchange
- **Internet / Annual Amount** – Provide the annual amount for either Libraries or Schools in served exchange
- **Toll-Free / # of Entities** – Provide the number of entities for either County Seats, Hospitals, Libraries or Schools in served exchange
- **Toll-Free / Annual Amount** - Provide the annual amount for either County Seats, Hospitals, Libraries or Schools in served exchange
- **Telemedicine / # of Entities** - Provide the number of entities for Hospitals in served exchange
- **Telemedicine / Annual Amount** – Provide the annual amount for Hospitals in served exchange

Please attach a detailed list of entities by name, Cause Number and Annual Amount under which the above listed entities are approved. This information is to be provided on the attached Worksheet #2.

Primary Universal Services

Respondent should note that the information provided should be submitted on the attached form provided for Primary Universal Service.

Question 1 – Provide current information that has not been applied for or approved by the Commission as of the date that the Support Data Request is being completed.

- **Potential Support amount to be requested for FY05/06** – Provide the forecasted/projected annual amount that is expected to be requested during this period.
- **Prior Year Support Amount Not Yet Requested** – Provide the forecasted/projected annual amount that is expected to be requested during this period for prior Fiscal Year periods.
- **Identify Federal or State Mandate** – Provide the Federal or State mandate for the requested amounts (Ex. CALEA)
- **Explanation of Request** – Provide a detailed explanation of the request (ex. Action taken to receive federal funds)

Question 2 – Provide information that has already been applied for and but not yet approved by the Commission Order as of the date that the Support Data Request is being completed.

- **Identify Year Support was Requested** – Provide the year for which request was applied for at the Commission
- **Potential Support Amounts Already Requested** – Provide the amount that was requested
- **Identify Federal or State Mandate** – Provide the Federal or State mandate for the requested amounts (Ex. CALEA)
- **Explanation of Request** – provide a detailed explanation of the request (ex. Action taken to receive federal funds)

Additional Information:

Please detail any eligible funding, not yet requested, for:

2/98-6/98 and/or
7/98-6/99 and/or
7/99-6/00 and/or
7/00-6/01 and/or
7/01-6/02 and/or
7/02-6/03 and/or
7/03-6/04 and/or
7/04-6/05 and/or
7/05-6/06

Required Attestation:

The information provided to the Public Utility Division Staff in response to the above information requested is accurate and complete, and contains no material misrepresentations or omissions based upon the facts known to the undersigned. The undersigned agrees to immediately inform the Public Utility Division Staff during the current Cause before the Commission, if any matters are discovered that would materially affect the accuracy or completeness of the information provided in response to the above information.

Please complete this form and return **by February 06, 2006** to:

Solix, Inc.

OKUSF Administration

100 South Jefferson Road

P.O. Box 902

Whippany, NJ 07981

Fax: (973) 599-6504

Phone: (973) 581-5393

Check Forms Attached:

- ☐ Lifeline
- ☐ Special Universal Services (SUSF)
- ☐ Primary Universal Service (PUSF)
- ☐ SUSF Worksheet #1
- ☐ SUSF Worksheet #2

Company Name:

Complete Mailing Address:

Name:

Signature:

Title:

Date:

Testimony Before the Wyoming Public Service Commission

November 2, 1998

Introduction

My name is Steven W. Haas. I am Director of State Universal Service Programs at the National Exchange Carrier Association (NECA), which was selected by the Wyoming Public Service Commission to manage the Wyoming Universal Service Fund (WyUSF), beginning September 1, 1997. In addition to our role of managing the WyUSF, my team at NECA also currently administers the Universal Service Funds for five (5) other states → Kansas, Vermont, Arkansas, Oklahoma, and Arizona and will begin administering the Texas USF on January 1, 1999. Not including Texas, we manage monthly collections of nearly \$120 Million from about 1,750 contributors and make corresponding monthly support payments to approximately 150 recipients. The purpose of my testimony, today, is to request that the Commission consider slightly modifying the WyUSF's schedule of receipts and disbursements, instituted on September 3, 1998 under provisions of the Emergency Universal Service Fund Rules. NECA's proposal is predicated on two fundamental tenets of Fund management:

- Instituting a **payment after collection** policy, and
- **Aligning disbursements with the corresponding receipts** for each month.

Our proposal also establishes a buffer that will help further stabilize the Fund and facilitate its ability to accommodate unforeseen increases in support levels, while reducing or eliminating frequent changes to the assessment factor. It is my understanding that NECA's alternative Fund receipt and disbursement proposal was distributed by the Commission's staff on October 15th to parties interested in this proceeding.

At the outset, I would like to thank Chairman Ellenbecker, Commissioners Lee and Furtney and the PSC staff for their immediate responsiveness to NECA's request, made in late August, that the Commission consider quickly restructuring the WyUSF to help ensure that Fund receipts would continue to be sufficient to cover required disbursements. The Commission's action to establish a monthly, in lieu of quarterly, collection and payment schedule, coupled with a previously announced increase in the assessment level, has already significantly improved the stability of the Fund's cash flow.

Prior to October 1, 1998, the effective date of the Emergency Rules, the Fund's original design required the Fund Manager to make quarterly distributions to eligible telecommunications companies on the first day of each calendar quarter. However, these original rules also stipulated that the Manager collect funds from contributors for the previous quarter, after support payments were already made for the succeeding quarter. It is important to recognize *the schedule for receipts and disbursements did not coincide* ⇔ disbursements were being made on a prospective basis. For example, quarterly payments for July, August and September of any year were scheduled for July 1st, and collections for April, May and June of that same year did not occur until August 15th, some six weeks after payments for the following three months had already been made.

Figure 1 displays both the previous (pre-October 1st) and revised (per Emergency Rules -- post October 1st) receipt and disbursal schedules. Please note that **this revised schedule still results in making disbursements on a prospective basis.** For example, on October 1st, NECA, as the WyUSF Manager, disbursed for October 1998. However, as shown on the diagram, corresponding receipts for October will not be collected until December 1, 1998 -- a full two months later. Therefore, **even under the revised rules, disbursements are not aligned with their corresponding receipts.**

As alluded to earlier, NECA proposes to restructure and further stabilize the Fund by instituting a payment **after** collection policy and aligning disbursements with the corresponding receipts for each month. This alternative approach utilizes the monthly receipt and disbursal schedule already established by the Emergency Order. Effectively, this proposal -- shown pictorially on Figure 2 -- will align the payment and disbursal schedule by waiting until **carriers make their payments into the Fund for February before disbursing their support for February.**

NECA proposes to implement this approach by establishing the 15th of each calendar month as the date on which carriers must submit their payments to the Fund for the preceding month and the 25th of the month as the date when the manager will make disbursals for the preceding month. Coincidentally, the due date of the 15th day of the month for payments into the Fund is consistent with the Fund's original design and corresponding procedures implemented by carriers.

Practically speaking this methodology (see Figure 2 -- "*Transition to Payment after Collection Schedule*") would result in carriers deferring receipt of

support payments from the Fund after January 1st until March 25th when they receive support for February – after they submit their payments for February on March 15th (see Figure 2 – “*Payment after Collection Process Implemented*”). Essentially, this will establish a buffer that will help stabilize the Fund and facilitate its ability to accommodate some unforeseen increases in support levels, while reducing/limiting the need for increases to the assessment factor. **From this point onward in time, receipts and disbursements remain aligned and the fundamental principle of collection before distribution is established.** Absent very significant increases in the future level of support payments, the Fund balance remains positive. Please recall that carriers will receive support payments for December 1998 and January 1999 on December 1, 1998 and January 1, 1999, respectively.

As I just mentioned, the buffer created by NECA’s proposal further buttresses the Fund’s financial stability. This effect is illustrated by estimating the maximum support amounts payable from the WyUSF under the receipt/disbursement schedule effectuated by the Emergency Rules (e.g., “*Status Quo*”) as contrasted to the amount available if the schedule proposed by NECA is implemented. Table 1 displays the results of this analysis for both the Fund’s second fiscal year as well as for the 1999 calendar year. The calculations assume, first, that the assessment factor remains constant at 6% and, second, that the Fund’s balance at the end of either period must be at least \$250,000 – approximately equivalent to a single month’s support payments. As the table shows, NECA’s proposal enables the Fund to distribute higher support payments, over either the fiscal year or the entire calendar year, and still provide a year end balance (“cushion”) of \$0.25 Million.

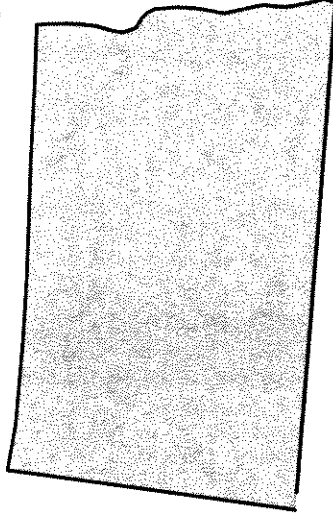
This analysis does not mean the Fund must pay-out the amounts shown. It only illustrates the maximum levels of support for these periods that can be paid from the Fund, under the constraints just described. If actual support payments are below these maximum levels, a larger Fund balance at the end of either the fiscal or calendar year provides options to the WyPSC when they determine contributions required from ETPs for the next year.

In an analogous manner, we analyzed what the maximum support payments might be if the assessment rate was 4%, a one-third reduction from its current level. As in the preceding case, NECA's proposal once again enables higher support payments than does a continuation of the current receipt/disbursement process.

This approach also greatly facilitates carriers' abilities to "net" their payments. That is, they know in advance the level of support to which they are entitled for a particular month. As a result, the worksheet they submit to the Fund manager can reflect the "net" amount for the month. Some of Wyoming's carriers endorse this process simplification and improvement. Another benefit of aligning the payment and collection schedule is that, if support payments increase during a fiscal year, these changes can be reflected in advance – no retroactive adjustments will be required. Carriers will no longer be affected or confused by revisions to support payments they have already received.

NECA State Fund Management and Administration

North Dakota Regulatory Reform Review Commission



STATE UNIVERSAL SERVICE FUND PRESENTATION June 14, 2002



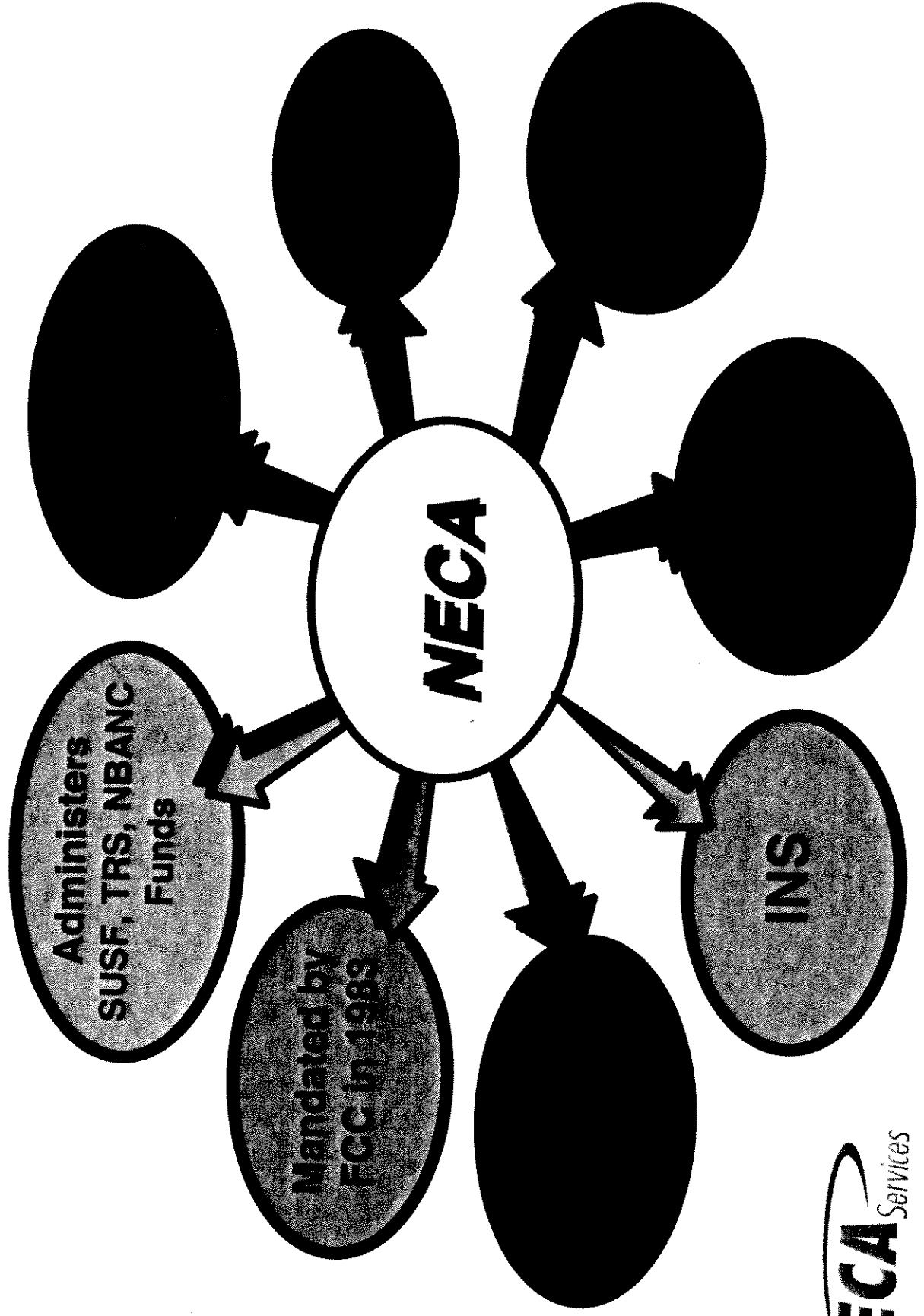
National Exchange Carrier Association, Inc.



Agenda

- So, what's a NECA?
- General Overview and Background of Universal Service
- Review Forces Influencing States to Institute their own Universal Service Funds
- Describe Services most Frequently Supported by State USFs
- Summarize FCC High Cost Universal Service Order and some Implications
- Outline the General Administrative Responsibilities of a State Fund Manager
- Review “*Lessons Learned*” by NECA affecting Fund Implementation and Design, and
- Summarize Characteristics of the State Programs NECA Administers

NECA Responsibilities



Objectives of Universal Service

The goal of Universal Service is “... to make available, so far as possible, to all the people of the United States ... a rapid, efficient, nationwide and world-wide wire and radio communications service with adequate facilities at reasonable charges”

(The Communications Act of 1934)

Telecommunications Act of 1996

Expanded the Scope of Universal Service

- FCC and states directed to establish “predictable and sufficient” mechanisms to ensure availability and delivery of affordable and “reasonably comparable” telecommunications services to all, including low-income consumers, those in rural, insular and high cost areas, as well as to eligible schools, libraries and rural health care providers
- Stimulates provision of nationwide access to advanced telecommunications and information services
- Requires that all telecommunications providers make “equitable and nondiscriminatory contributions”

Universal Service Principles

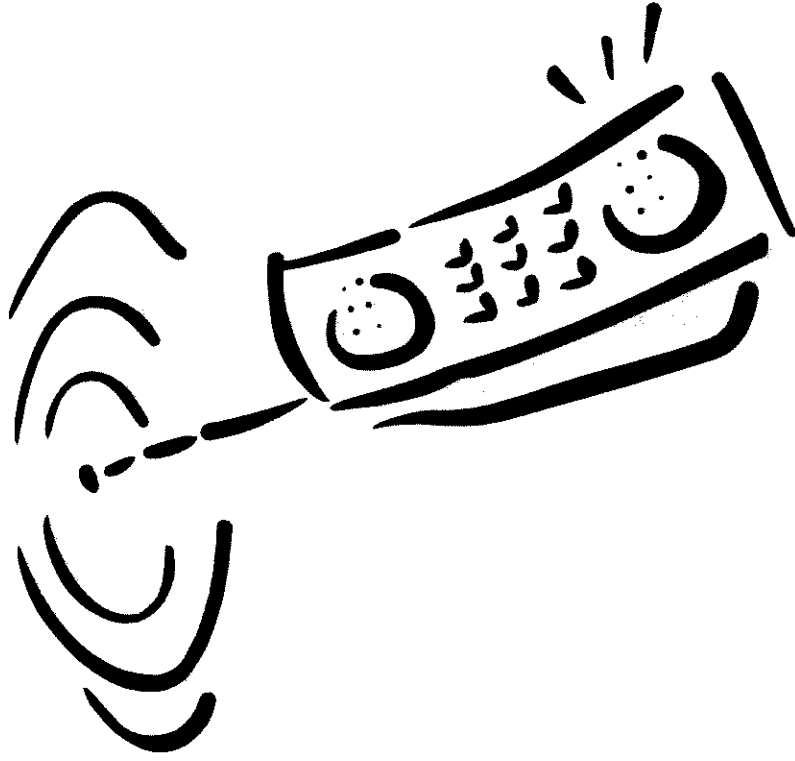
Telecommunications Act of 1996

- Quality and Rates
- Access to Advanced Services
- Access in Rural and High Cost Areas
- Equitable and Nondiscriminatory Contributions
- Specific and Predictable Support Mechanisms
- Access to Advanced Telecommunications Services for Schools, Health Care and Libraries
- Additional Principles

Plain Old Telephone Service (POTS) Services Eligible for Interstate Support

(Following Telecommunications Act of 1996)

- Voice grade access to public switched network with ability to place and receive calls
- Dual tone multi-frequency (DTMF) signaling or functional equivalent
- Single party service
- Access to emergency services (E-911 and Enhanced 911)
- Access to operator services and directory assistance
- Toll limitation services for qualifying low-income consumers
- Access to interexchange services



Role of States to Ensure Universal Service

- Define criteria for selection of Eligible Telecommunications Carriers (ETCs)
 - ✕ Offer services designated for support
 - ✕ Use own facilities or combine own facilities with resale of other carriers
- Designate service areas for non-rural carriers
- Monitor rates and non-rate factors, such as subscribership levels, to ensure affordability
- Ensure reasonable comparability of rates within the state
- Evaluate/establish alternative funding mechanisms to support Universal Service
 - ✕ Determine programs supported and methodology for calculating support amounts
- Adopt regulations to provide for additional definitions and standards that preserve and advance universal service

Why State Funds?

"Drivers"

- | | |
|---|---|
| <ul style="list-style-type: none"> ■ Changes in State and Federal Law or Regulatory Requirements <ul style="list-style-type: none"> × Equalizing intrastate and interstate access rates ↑ e.g., "rate rebalancing" ■ Competition ■ Replacement of Implicit with Explicit Subsidies <ul style="list-style-type: none"> × "Revenue recovery/replacement" to offset reductions in rates or subsidies or increases in costs incurred by telcos as a result of Federal or State legislation or regulatory decisions (e.g., elimination of pools) | <ul style="list-style-type: none"> ■ Changes in Federal/State Support levels ■ Reimbursement of agencies for costs of implementing and administering programs to provide telecommunications services to physically-challenged individuals ■ Compensate vendors and carriers who provide discounts on special equipment used by physically-challenged people ■ Universal Service Goals & Public Policy |
|---|---|

State Universal Service Programs

Who Pays?

- Typically all telecommunications service providers offering service within the state, including any combination of the following, pursuant to state regulations:
 - ✕ ILECs, CLECs, IXC's, Resellers, Payphone, CMRS, Wireless, Operator Service Providers and Competitive Access Providers
 - ✕ Texas includes hotels and motels based on surcharges added to customers' bills for use of the in-room phones

State Universal Service Programs

What Revenues are Assessable

- State USFs are typically funded by a percentage assessment on *Intrastate Retail Revenues*
 - ✕ What is an intrastate retail revenue?
 - End user residential and business
 - No wholesale transactions
 - A good test of “assessability” is whether the service utilizes the public switched network
 - ✕ Some states also assess interstate and international revenue

Assessable Revenue Categories

■ Local Services:

- ☒ Intralata Toll Charges
- ☒ Connection Charges
- ☒ Enhanced Services
- ☒ Operator Services, Directory Assistance
- ☒ Pay Phone
- ☒ Private Line
- ☒ Voice Mail
- ☒ Late Payment Charges
- ☒ Alternative Access & Directory
- ☒ Change of Long Distance Carrier Fee
- ☒ Optional Calling Plans Monthly Charges

Assessable Revenue Categories (cont'd)

■ Long Distance Services:

- ☒ Toll Charges, Connection Charges
- ☒ 800, 900, WATS
- ☒ Enhanced Services
- ☒ Operator Services, Directory Assistance
- ☒ Pay Phone, Private Line
- ☒ Prepaid Calling Card
- ☒ Voice Mail, Alternative Access & Directory
- ☒ Reconnection Fees, Late Payment Charges
- ☒ Optional Calling Plans Monthly Charge

■ Wireless and Paging Services

- ☒ Basic Service, Airtime Charges
- ☒ "In-Collect" Roaming Charges
- ☒ Out-Collect" Roaming Charges
- ☒ Activation/Deactivation Charge
- ☒ ~~Connection Charges, Access Charges, Enhanced Services~~

State Universal Service Programs

Programs Supported

- High Cost Support
- Revenue Recovery/Rate Rebalancing
- Emergency 911
- Telecommunications Relay Service
- Lifeline Program
- Link-up Program
- State Support for Schools, Libraries & Health Care Facilities; Access to Educational Facilities
- Special Telecommunications Equipment for Physically-challenged Individuals

State Universal Service Programs

High Cost Support

- Provides support to ensure rates are *reasonably comparable* between rural and non-rural areas
- Support is typically provided for lines that exceed a designated cost threshold or revenue benchmark
 - ✕ Some states set a revenue benchmark based on the statewide average rate per line
 - ✕ Others utilize a cost methodology (eg, cost model) to determine a statewide average cost per line

State Universal Service Programs

Revenue Recovery and Rate Rebalancing

✂ Revenue Recovery

- ☒ Replacement of revenues lost as a result of decreased federal universal service support
- ☒ Replacement of intrastate toll pool revenues
- ☒ Recovery of implicit subsidies previously included in access charges

✂ Rate Rebalancing

- ☒ Replacement of revenues from mandated reductions in access/toll charges

State Universal Service Programs

Low Income Support

- Low Income Programs include:
 - ✕ Lifeline (discount on monthly bill)
 - ✕ Link-Up (discounted connection costs)
 - ✕ Voicemail for the Homeless
 - ✕ Toll Blocking
- Designed to increase program participation levels
- Usually supplement Lifeline support available from the Federal Lifeline Program

State Universal Service Programs

Low Income Support (cont'd)

Sample Monthly Lifeline Discount

Base Federal Support	\$5.00 (Effective 7/1/01)
Additional Federal State Support	\$1.75
Matching Federal	\$3.50 (\$0 - \$3.50+)
Total:	\$1.75 (50% of State Support up to \$1.75)
	\$12.00/line

State Universal Service Programs

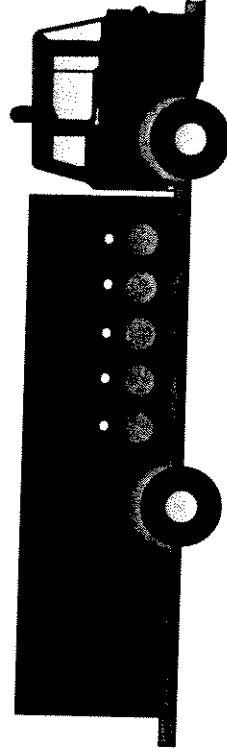
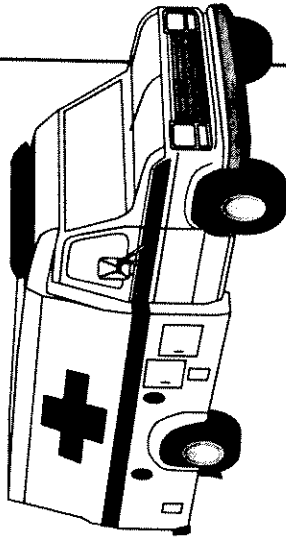
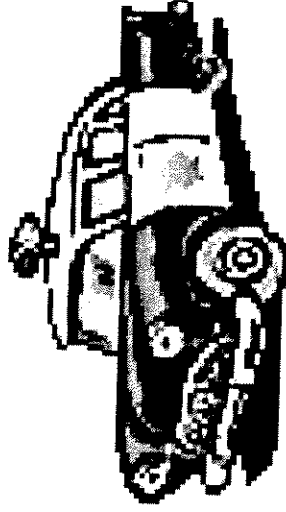
Telecommunications Relay Service & Special Equipment

- **Telecommunications Relay Service (TRS)** facilitates communications with hearing or speech impaired people via transcription from Text Telephones (TTY) to voice or voice to text.
 - ✕ State programs support *intrastate* calls and is designed to supplement the federal TRS program which supports *interstate* calls.
 - ✕ **Special Equipment Programs** fund discounts or provide vouchers to obtain specialized equipment such as:
 - TTY
 - Braille phone
 - Amplified phones for sending and receiving
 - Artificial Larynx

State Universal Service Programs

Emergency 911 and Enhanced 911

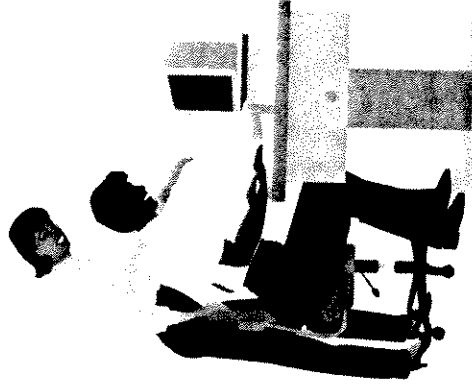
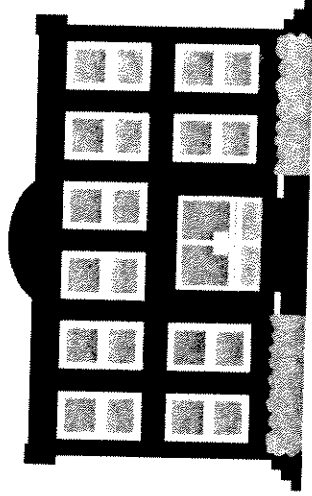
- Emergency services often funded at county level, leaving some counties better equipped than others.
- Statewide 911 supports the 911 operator and dispatch features of emergency 911.



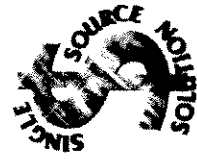
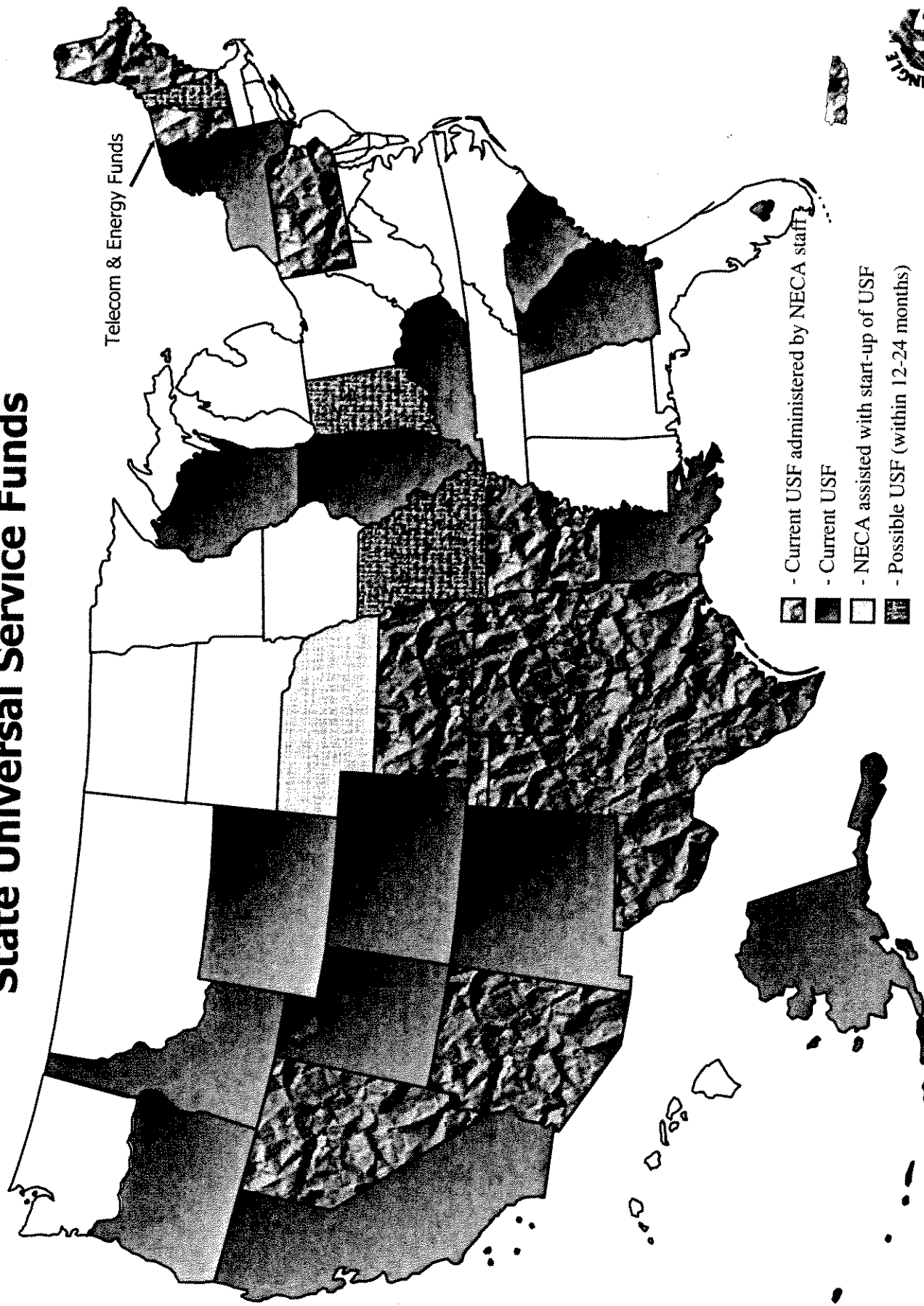
State Universal Service Programs

Supplemental Discounts for Schools, Libraries, Rural Health Care Providers and Government Entities

- Supplements federal programs that offer discounts on advanced telecommunications services to schools, libraries and rural health care providers.
- Some states also provide funds for government offices to obtain advanced services.



State Universal Service Funds



National Exchange Carrier Association, Inc.

Programs Supported by States with Universal Service Funds

Programs	No. of States*	Percent of States with USFs
High Cost Support	17	65%
Lifeline & Link-Up	12	46%
E-911	3	12%
Revenue Recovery - Rate Rebalancing	8	31%
TRS & Specialized Equipment, Access for Physically-challenged Schools, Libraries, Rural Healthcare & Government	10	38%
	5	19%

* Out of the 26 states/territories with operating Universal Service Funds

Modifications to Federal High Cost Universal Service Mechanism for Non-rural Carriers

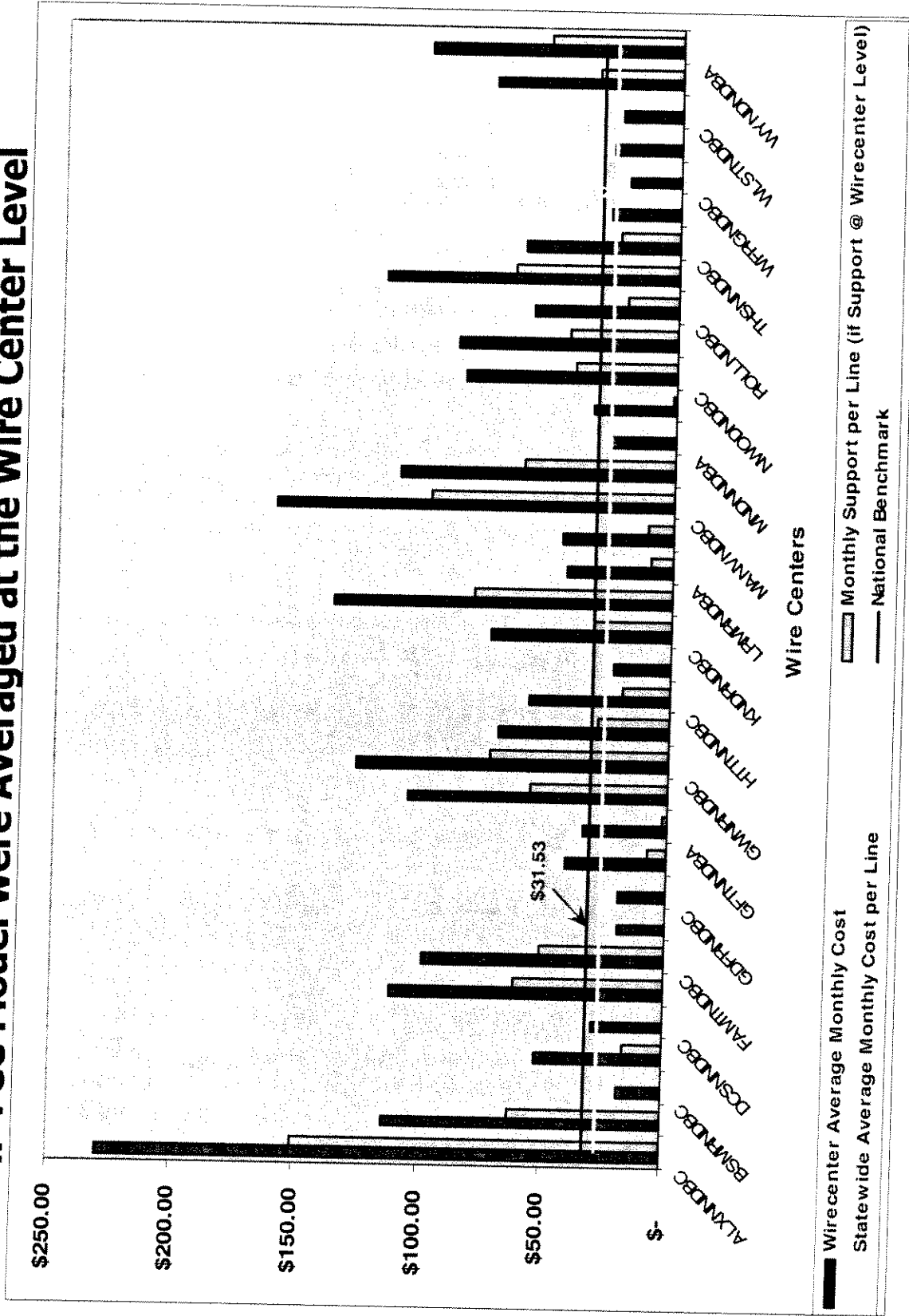
FCC Orders - Oct. 1999

- Establishes a forward-looking cost model to calculate individual wire center costs that are used to determine both individual *statewide* and *national average* costs
- Sets the national benchmark at 135% of the national average forward-looking cost per line of providing supported services
- Provides support to non-rural carriers in states whose statewide average intrastate forward-looking costs exceed the benchmark
- Targets support in eligible states (those whose statewide average exceeds the benchmark) at wire centers with the highest costs per line
- Institutes an interim "*hold-harmless*" provision
- Requires state commissions to certify that non-rural carriers receiving federal high-cost support will use it in compliance with TA'96
- Maintains current process - for an interim period - for calculating high cost loop support for rural carriers



National Exchange Carrier Association, Inc

Northwestern Bell (ND) Wire Center Costs and Federal Support if FCC Model were Averaged at the Wire Center Level



National Exchange Carrier Association, Inc

NECA State Fund Administration and Management Services

- Fund Planning and Consulting
- Fund Start-up
- Fund Administration/Operational Management
 - ✕ Day-to-day operational oversight
 - ✕ Billing and collection
 - ✕ Financial management of undistributed fund monies
 - ✕ Comprehensive, regular financial reporting
- Customer Relations
- Regulatory Relations and Interface
- Audit Support
- Staff Education and Training

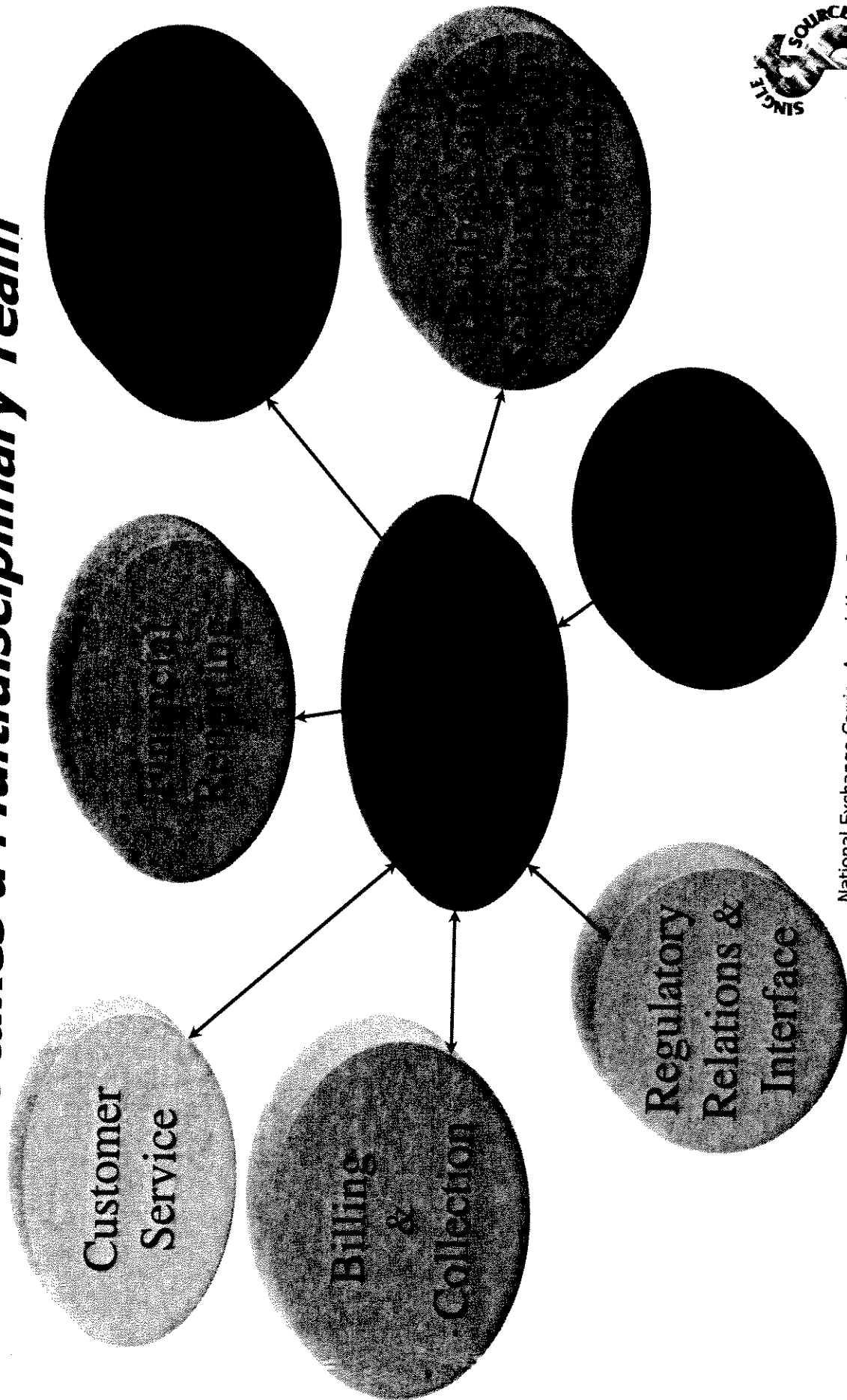
NECA
Services

National Exchange Carrier Association, Inc.



Fund Administration

It takes a Multidisciplinary Team



National Exchange Carrier Association, Inc.



NECA State Universal Service Programs

General Administrative Responsibilities

- Partner with state PUC/PSC to develop, modify and implement fund rules and regulations
- Prepare remittance forms and instruction packets for carriers to self-report as well as certify data and submit payments to the fund
- Identify, collect and analyze pertinent carrier data and projected requirements of programs being supported to calculate annual assessment factors
- Track each program's financial performance, monitor external environment and recommend revisions to assessment factor(s), fund structure, etc.
- Collect (monthly) assessments
- Invest and closely monitor fund balances; earnings available to offset fund expenses and mitigate increases in assessments
- Disburse payments to eligible telecommunications providers, vendors and benefactor programs
- Prepare timely, comprehensive reports to regulatory agencies
- Cooperate with independent auditors to satisfy external auditing requirements

NECA State Universal Service Programs

Fund Implementation "Lessons Learned"

- Broad industry participation during fund rulemaking and establishment phases lessens confusion and resistance during implementation
- Single collection mechanism for various universal service & other programs (e.g., E-911, TRS) simplifies processes and creates cost efficiencies
- Assessment based on percent of revenues, applied to all service providers (not end-user customers), ensures contributions are collected in a non-discriminatory, competitively neutral manner
- Assessment of "retail" intrastate-only revenues avoids double assessing
 - ✕ Precise definitions of assessable and/or exempt revenue categories (payphone, wireless, vertical services, etc.) clarifies requirements and reduces confusion
- Payment-after-collection methodology reduces cash flow fluctuations and decreases possibility of fund shortfall
- Monthly billing and collection of service providers and establishment of a de minimus threshold to exempt small contributors from assessments or require less frequent payments offers administrative simplicity and reduces costs

NECA State Universal Service Programs

Fund Implementation "Lessons Learned"

(cont'd)

- Legislature/regulatory agency should define explicit criteria for determining support payments disbursed from the Fund
- Service providers' payments into the Fund *are not* tax collections and should be held separate from the state's General Fund
- Public Benefit Funds are "*self-sustaining*" — appropriations to "fund the Fund" or a legislative-mandated cap on Fund size are not required
- Documentation clearly delineating roles of the state regulatory agency staff and the fund administrator streamlines processes/reduces overlaps
- A "contingency factor" should be built into at least the initial funding requirements to offset cash flow fluctuations, cover initial delinquencies, and help account for revenue seasonality during Fund start-up
- Consider developing a fund shortfall Payment Prioritization Plan
 - ✕ Provides the administrator with specific guidelines for prioritizing or pro-rating payments, etc. if fund requirements exceed collections for a period

NECA-Administered State USF Programs

Vermont USF

- VUSF established in 10/94; \$6 million annually
- Five programs funded by VUSF:
 - ✕ Vermont Telecommunications Relay Service
 - Outreach Services
 - Equipment Distribution
 - ✕ Lifeline Assistance
 - ✕ Enhanced E-911 Service
- VTRS and E-911 paid to state agency administrators; Lifeline credited against VUSF remittance due
- Approximately 300 telecommunications carriers contribute 1.65% of *intrastate*, *interstate* and *international* retail revenues
- Vermont legislation allows for high cost component to be implemented in the future

NECA-Administered State USF Programs

Kansas USF

- KUSF established in 3/97; \$65 million annually
- Four programs funded by KUSF:
 - ✕ Universal Service (High Cost)
 - ✕ Dual Party Relay Service
 - ✕ Lifeline Service
 - ✕ Telecommunications Access Program
- Assessment based on intrastate retail revenue
 - ✕ Currents assessments are 3.34% for wireless service providers; 3.70% for all other service providers
 - ✕ Contributors include approximately 450 telecommunications carriers
 - ✕ Exempt companies include independent pay phone providers, hotels and motels

NECA-Administered State USF Programs

Arizona USF

- AUSF established in 5/97; \$1 million annually
- Previous program collected from 12 local exchange carriers and paid to one qualified recipient
- Revised, expanded program collects from all telecommunications service providers operating in Arizona (about 310)
- High cost support program only; support awarded to qualified carriers based on a rate case filing
- Payphone-only providers are exempt from the AUSF

NECA-Administered State USF Programs

Arizona USF (cont'd)

- Contributors classified into two categories:
 - ✕ Category I - local & wireless service providers
 - ✕ Category II - intrastate toll providers
- Three assessment factors applied to the two categories:
 - ✕ Category I local service providers assessed at \$0.009488 *per access line*
 - ✕ Category I wireless service providers assessed at \$0.094877 *per interconnecting trunk*
 - ✕ Category II toll providers assessed at 0.1867% of intrastate toll revenues

NECA-Administered State USF Programs

Arkansas USF

- ARUSF established in 9/97; disburses \$8 million annually
- Revenue replacement fund
- Funds collected from over 400 telecommunications service providers with assessment set at 0.80% of intrastate retail revenues
- Support paid to qualified carriers who have experienced revenue loss due to decreased federal USF funding or state or federal mandated actions (e.g., rate reductions)
 - × Carriers file support requests with NECA
 - × NECA files support decisions with Arkansas PSC
 - × All carriers can contest the support amounts approved/denied

NECA-Administered State USF Programs

Oklahoma USF

- OUSF established in 2/98; \$15 million annually
- Current assessment of 0.40% of intrastate retail revenues collected from approximately 450 contributors to fund five programs:
 - ✕ **Primary USF**
 - Requested to recover revenue losses or cost increases resulting from federal or state rules, orders, policies or law
 - ✕ **Special USF**
 - Requested by qualified carriers to recover the cost of services provided to public schools, libraries, hospitals and county seats
 - ✕ **Lifeline Service Program**
 - Requested by carriers to recover credits provided for basic local service
 - ✕ **Oklahoma Telecommunications Technology Training Fund (OTTTF) and E-911 Emergency Service Fund**
 - Recovery of mandatory, per access line contributions

NECA-Administered State USF Programs

Texas USF

- TUSF established in 1/99; \$585 million annually
- Eight programs funded by the TUSF:
 - ✕ Texas High Cost USF
 - ✕ Small & Rural ILEC USF
 - ✕ Lifeline
 - ✕ Link-Up
 - ✕ Telecommunications Relay Service
 - ✕ Implementation of PURA Chapter 56
 - ✕ Additional Financial Assistance (AFA)
 - ✕ Specialized Equipment Distribution Program
- Assessment set at 3.6% of taxable telecommunications receipts (intrastate, interstate and international) collected monthly from about 4,000 service providers (including hotels and motels)

NECA-Administered State USF Programs

Texas USF (cont'd)

- **Texas High Cost USF, Small & Rural ILEC USF and AFA payments** are PUCT-authorized support disbursed to eligible carriers
- **PURA (Public Utility Regulatory Act) Chapter 56** support consists of PUCT-authorized payments to eligible carriers for reimbursement of costs associated with implementation of USF
- **Specialized Equipment Distribution** includes reimbursement to equipment vendors for vouchers received from qualified individuals
- **Texas Telecommunications Relay Service** expenses distributed to the contracted carrier

NECA-Administered State USF Programs

Nevada USF

- NUSF established in 1997; became operational 4/1/00
 - ✕ Annual fund size ≈ \$500 K
- NUSF supports:
 - ✕ High Cost
 - ✕ Low Income
 - ✕ Schools, Libraries and Rural Health Care
 - ✕ Extension of Basic Service (infrastructure) to unserved or underserved areas
- Approximately 500 carriers assessed quarterly on intrastate retail revenues
 - ✕ No collections required for FY2002 due to adequate fund balance
- Carriers must file annually for NUSF support with the PUCN

NECA-Administered State Programs

Vermont Energy Efficiency Utility Fund

- VEEUF implemented operational in 3/00; \$8 million annually
- Funds energy efficiency programs designed and delivered by the Vermont Energy Efficiency Utility
- Electric utilities assessed a non-uniform “*Systems Benefit Charge*” that can be passed on to end-users via a separately stated charge on their bills

NECA-Administered State Programs

Pennsylvania USF

- Pennsylvania USF established in April 2000
- Designed to reduce access and toll rates for telephone customers
- Over 300 contributors and 34 support recipients
- Annual fund size is approximately \$34 million
- Carriers assessed *fixed monthly contributions* based on proportion of prior year intrastate retail revenues earned
- Wireless carriers currently exempt from the fund obligations

NECA-Administered State Programs

Puerto Rico USF

- PRUSF established in July 2001
- Designed to support telecommunications services in Puerto Rico
- Approximately 220 contributors. Intra-island retail revenues assessed currently assessed at 0.44%
- Annual fund size is approximately \$5 million and currently supports the intra-island TRS and Lifeline programs
- Link-Up and High Cost programs likely to be added in the near future

DIVERSITY POLICY

1.0 PURPOSE

The purpose of this section is to inform all employees of their rights and responsibilities and to reaffirm our support to affording our employees with a work environment that is free from discrimination.

2.0 POLICY

Our goal is to create, in an atmosphere that fosters trust and teamwork, a challenging work environment where all members recognize and appreciate diversity and respect and have equal opportunity at all levels of employment.

2.01 Equal Employment Opportunity

We are an "equal employment opportunity employer." A commitment exists at all levels of management to consider every employee and applicant, in any employment decision and not to discriminate in the terms of race, religious creed, color, national origin, nationality, ancestry, age, sex, present or past disability, marital status, domestic partnership status, civil union status, affectional or sexual orientation, gender identity or expression, atypical hereditary cellular or blood trait, genetic information, liability for service in the armed forces of the U.S. and any other legally protected classifications.

It is the policy of the Company to provide qualified employees with opportunities to move and progress into assignments that best utilize their skills and abilities consistent with the needs of the Company.

We are also committed to affording equal employment opportunity to all employees and all applicants for employment because of our belief in the fundamental fairness and rightness of equal opportunity.

Violation of EEO policies by any employee will result in disciplinary action up to and including dismissal and may lead to personal, legal and financial liability.

3.0 LEGAL REQUIREMENTS

To implement equal employment opportunity, the Company complies with the letter and the spirit of laws pertaining to equal opportunity. Among these laws are:

- **Equal Pay Act of 1963, as amended**

Prohibits sex discrimination in payment of wages to women and men performing substantially equal work

- **Civil Rights Act of 1964, as amended – Title VII**

Prohibits discrimination in hiring, promotion, discharge, pay, fringe benefits and other aspects of employment on the basis of race, color, religion, sex or national origin.

- **Age Discrimination in Employment Act of 1967, as amended**

Prohibits age discrimination and protects applicants and employees 40 years of age or older from discrimination.

- **The Americans with Disabilities Act of 1990 (ADA)**

Prohibits discrimination in employment on the basis of disability where the individual is otherwise qualified to perform the essential function of the job.

- **The Civil Rights Act of 1991**

Provides for compensatory and punitive damages and jury trials not previously available under Title VII and ADA.

4.0 IMPLEMENTATION AND ADMINISTRATION

The Company's Diversity Policy reflects a commitment to diversity and Equal Employment Opportunity in its corporate practices and procedures, as well as in all areas of its day-to-day operations including:

- Job Posting Program

The Job Opportunity Bulletin (JOB) notifies employees of open positions. The self-nomination process allows eligible individuals to submit on these openings.

The Company ensures that job requisitions contain only those requirements that are essential job functions. The Company also ensures that employment, transfer, selection for promotion, compensation and benefits are administered equally and fairly.

All employment advertising and recruiting activities, including contacts with employment agencies, schools and training institutions, are directed to all qualified applicants regardless of race, religious creed, color, national origin, nationality, ancestry, age, sex, present or past disability, marital status, domestic partnership status, civil union status, affectional or sexual orientation, gender identity or expression, atypical hereditary cellular or blood trait, genetic information, liability for service in the armed forces of the U.S. and any other legally protected classifications.

- Performance Evaluations

Supervisors prepare individual job related appraisals annually and provide supportive evidence for the rating. In addition, employees are counseled and developmental plans are established.

- Training and Development

All employees have equal access to training and development programs and transfer and promotional opportunities.

- Tuition Aid Plan

The Tuition Aid Plan provides financial aid to any employee who

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wants to continue their education in areas of study that will enable them to maintain and/or enhance current job knowledge and skills or increase their potential for movement within the Company.

■ **Workplace Harassment Policy (SECTION 8)**

The Workplace Harassment Policy addresses issues relating to intimidation and harassment of all kinds, including sexual harassment. The Company intends to maintain a work environment free from discrimination and harassment in any form and to insure that all employees of the Company are treated with dignity and respect.

Employees who feel they have been subject to harassment or have witnessed harassment should refer to "REPORTING PROCEDURES" in SECTION 8 of the Corporate Human Resources Handbook.

5.0 RESPONSIBILITY

Creating a work atmosphere that is free from all forms of discrimination is everyone's responsibility and requires the commitment of all employees. Each organization within the Company is responsible for observing and actively supporting the Company's Diversity Policy. Employees who knowingly violate the policy may be subject to discipline.

5.01 Supervisors

Within each organization, it is the supervisor's responsibility to prevent discrimination. It is also the supervisor's responsibility to orient new employees to the Company's commitment to diversity and equal opportunity. All employment matters are to be treated in accordance with the Company's EEO policies. Supervisors are expected to:

- Apply EEO principles and policies in all personnel activity included in the employment relationship.
- Support programs and practices designed to develop understanding, acceptance, commitment and compliance within the framework of this policy.

- Take immediate and appropriate action regarding reported claims of discrimination or harassment.

5.02 Employees

It is the responsibility of all employees to conduct themselves in a manner consistent with the Company's diversity policy. Employees are expected to:

- Understand that equal employment applies to everyone and all employees should be treated with respect and dignity.
- Support and adhere to all programs, practices and policies designed to promote full commitment and adherence to the Company's Diversity Policy.
- Conduct themselves in a manner consistent with the Company's Diversity Policy while engaged in Company business.

5.03 Human Resources

Human Resources will disseminate the Company's Diversity Policy to all employees on the first day of employment.

Employees who need assistance with Diversity Policy matters are to contact any of the individuals listed below:

- Manager – Benefits and Staff Development
- Vice President – Human Resources & Corporate EEO Officer

6.0 GRIEVANCE PROCEDURE

Employees who feel they have been subject to discrimination should report the situation or incident to an appropriate member of management or to Human Resources. When reporting inappropriate conduct, the employee should be prepared to furnish details. To the extent possible,

the investigation will be conducted in a confidential and need to know basis, however absolute confidentiality cannot be guaranteed.

If you think you have been the victim of discrimination:

- Discuss your concern with your supervisor. Try and resolve the situation together. He/she may advise you to consult with Human Resources.
- If you are uncomfortable discussing your concern or if your grievance involves your supervisor, contact the Vice President - Human Resources (973- 581-6720).

The Human Resources representative will gather all information and decide whether to conduct a further investigation. This may include talking to your co-workers. After the investigation, the Human Resources representative will review the findings with you and determine whether the facts support the complaint.

If the Human Resources representative decides that no further action should be taken, you may decide to proceed with your grievance to a higher level of management in Human Resources. You may also decide to contact a government agency such as:

- State Government – Department of Civil Rights
- Federal Government – Equal Employment Opportunity Commission (EEOC)

The Company will not retaliate against any employee or applicant because s/he, in good faith, opposed an employment practice or filed a charge of employment discrimination.